

Taunton Deane Borough Council

Corporate Governance Committee – 27th June 2011

DEBT RECOVERY UPDATE

Report of the Performance & Client Lead

(This matter is the responsibility of Executive Councillor Vivienne Stock-Williams)

1. Executive Summary

This report provides members with an update on how the Council is managing the collection of its miscellaneous income debts (sundry debts) within the SAP computer system.

The report highlights the position at 1st April 2011 and provides a comparison with the corresponding time in 2010.

Although concentrating on the Sundry Debts within SAP, information is also provided relating to other invoiced account types, which are managed through different corporate systems, in order to provide members with a more complete picture of the Council's debt collection performance.

2. Sundry Debts in SAP

2.1 Background

Southwest One's Accounts Receivable team provide a key service in managing the sundry debt recovery process on the Council's behalf.

Since 1st April 2009 the majority of the Council's sundry debts have been administered using the SAP computer system.

The Council's Performance and Client team regularly monitor the level of sundry debt arrears and the level of sundry debt arrears in SAP is reported quarterly to the Executive and Corporate Scrutiny committee as part of the Council's quarterly corporate scorecard.

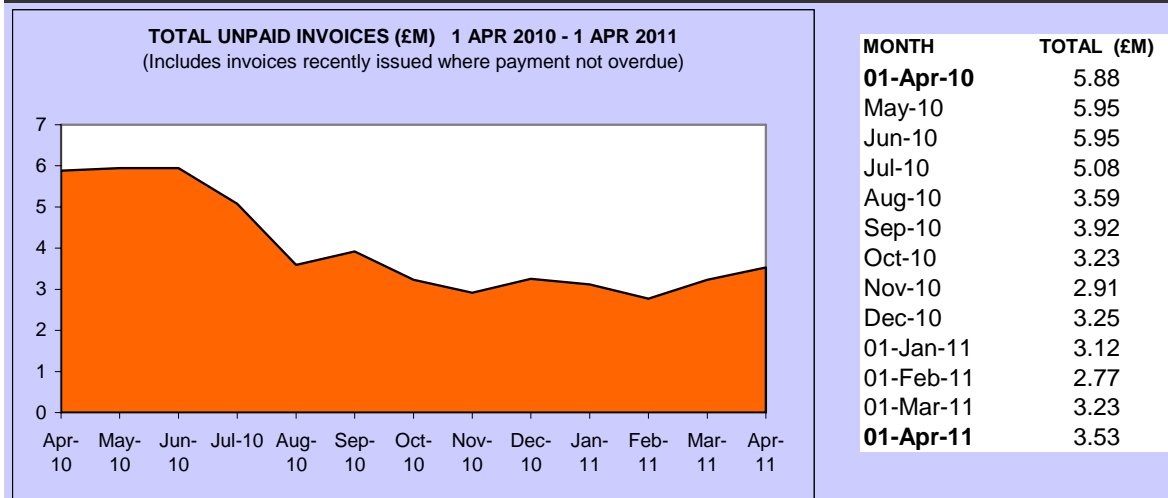
The audit opinion on how we manage sundry debts is reported to the 'Annual Statement of Governance' published with the annual accounts.

2.2 Performance

Debt Type	Responsibility	2009/10	2010/11	Collection Trend
Sundry Debts in SAP	Southwest One Accounts Receivable Service & TDBC Services	Outstanding 31 March 10: £5.88m	Outstanding 31 March 11: £ 3.53m	↑

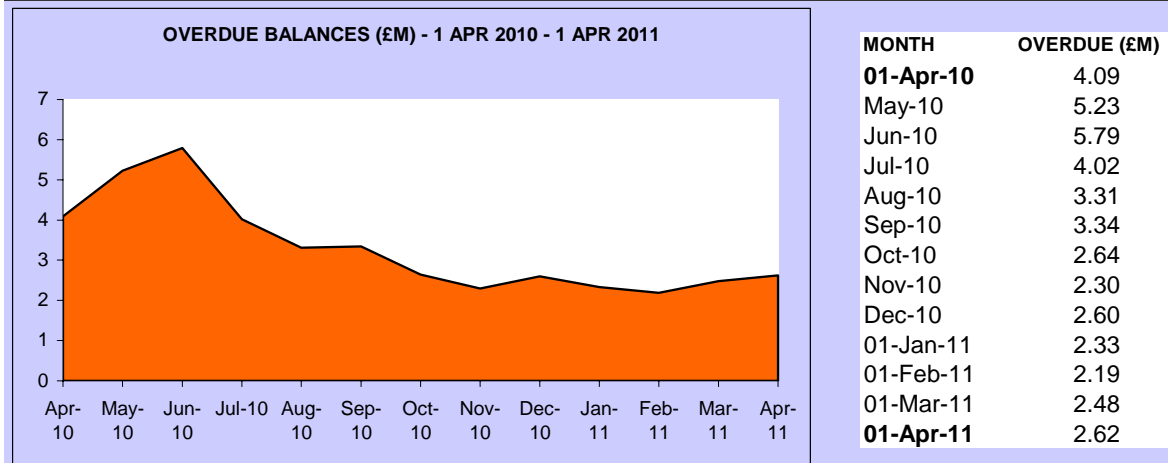
Tables 1 – 5 below provide some further insight into the direction of travel relating to sundry debt collection. To set these tables in some context it is helpful to understand that during 2010/11 alone the Council issued **£12.38m** worth of sundry debt invoices through the SAP system.

TABLE 1



The unpaid balances shown in Table 1 include sums for which an invoice has been issued but the sum payable is not yet overdue (for example the invoice may give the customer 14 or 28 days to pay and that time has not expired). Table 2 below shown the **overdue** element of the unpaid invoices detailed in table 1.

TABLE 2

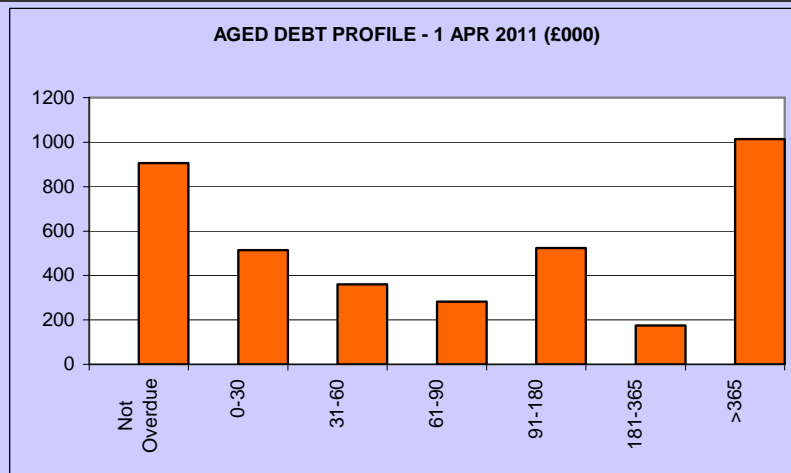


As can be seen from table 2, the value of **overdue** balances at 1st April 2011 was **36% lower** than at the corresponding time in 2010. The principal reasons behind this reduction was the

implementation of automated reminder and final notice runs which Southwest One introduced part-way through 2010/11. Also greater familiarity with the SAP system by Southwest One staff has led to overdue accounts being identified more promptly and action being taken accordingly.

Table 3 below provides an aged debt analysis of the unpaid sundry debt invoices in SAP at 1st April 2011.

TABLE 3



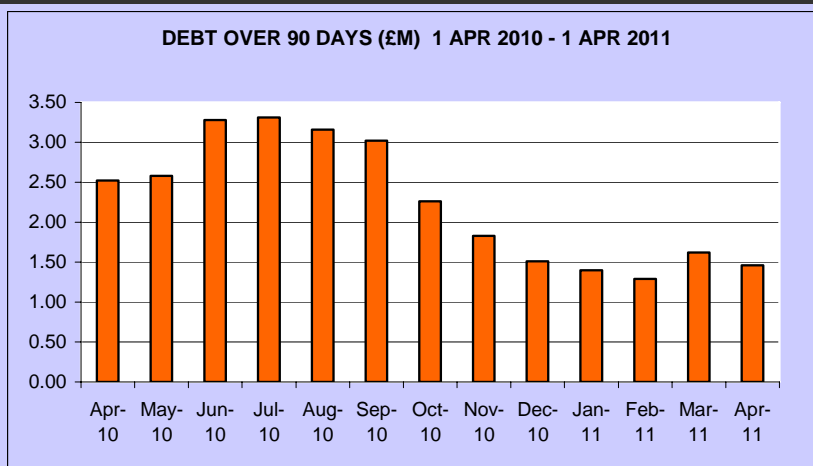
Most of the debt which is older than 365 days old was transferred from previous sundry debt system in April 2009. Please see table 5.

Age	Value (£000)
Not Overdue	906
0-30	514
31-60	360
61-90	283
91-180	524
181-365	175
>365	1014

Table 4 below provides a month by month analysis of the value of debts in SAP which were **more than 90 days old**. As can be seen the trend is generally a downward one.

The value of debt more than 90 days old at 1st April 2011 was **42% lower** than at the corresponding time in 2010.

TABLE 4



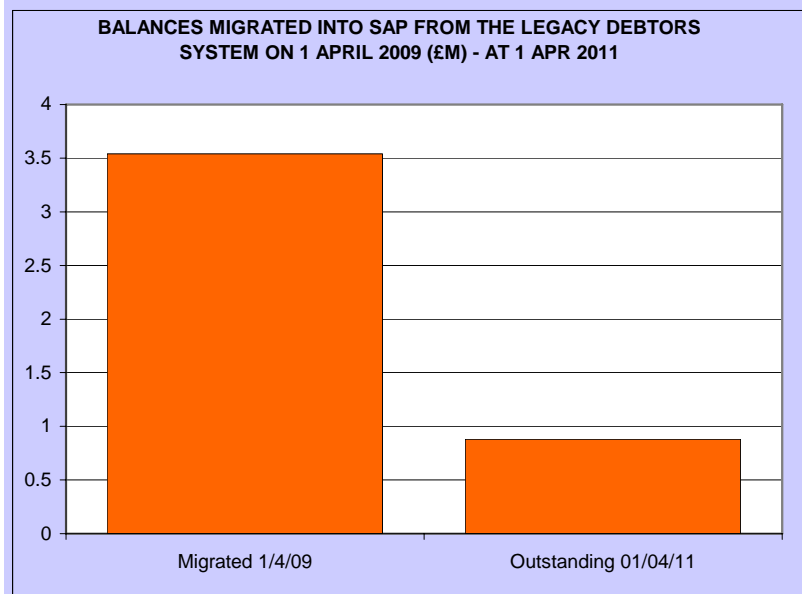
MONTH	Value (£m)
01-Apr-10	2.52
May-10	2.58
Jun-10	3.28
Jul-10	3.31
Aug-10	3.16
Sep-10	3.02
Oct-10	2.26
Nov-10	1.83
Dec-10	1.51
Jan-11	1.40
Feb-11	1.29
Mar-11	1.62
01-Apr-11	1.46

A significant portion (over £880k) of the debt which is greater than 90 days old relates to accounts which were migrated from the Council's legacy sundry debtors system onto SAP. This took place on 1st April 2009.

Many of these debts were already quite old at the point of migration and undoubtedly some will be 'bad debt'.

There has however been some significant success in clearing these older migrated accounts as highlighted in Table 5 below.

TABLE 5



On 1st April 2009 we transferred £3.54m from the old debtors system onto SAP. This brought forward balance has reduced significantly to approx £880k and is included within the figures shown in Table 1, 2, 3 & 4.

Brought Forward	(£m)
Migrated 1/4/09	3.54
Outstanding 01/04/11	0.88

These accounts require analysis on a case by case basis by our services to determine whether they remain recoverable or whether write-off would be appropriate.

2.3 Write-Offs

During 2010/11 £317,647.09 of irrecoverable sundry debt was written-off.

2.4 Summary of significant progress

- Debt levels have fallen significantly
- A sundry debt User Group has been created within TDBC and across the Southwest One partnership in order to share best practice
- Comprehensive online guidance material is available to officers on a dedicated SAP page on the Council's intranet.

3. **Summary of Other Invoiced Account Types Due to The Council**

In addition to Sundry Debts there are four other account types which the Council has to collect;

- Council Tax
- Business Rates
- Housing Rents
- Housing Benefits Overpayments

Debt Type	Responsibility	2009/10	2010/11	Collection Trend
1. Council Tax (In-year)	Southwest One Revenues & Benefits Service	Billed: £49.9m	Billed: £50.7m	↑
		% Collected: 97.74%	% Collected: 98.21%	
		Total Outstanding 31 March 2011: £2.2m		

Council Tax is a key source of income to the Council and consequently Council Tax collection is a key performance indicator within the Southwest One contract.

Collection performance is monitored monthly by the Client & Performance team.

In 2010/11 98.21% of Council Tax was collected within the financial year.

The performance exceeded the target set of 98.0% and represents the highest in-year collection achieved by TDBC.

At 31st March 2011 99.43% of the £520m which TDBC had billed in earlier financial years (e.g. between 1st April 1993 and 31st March 2010) had been collected.

Debt Type	Responsibility	2009/10	2010/11	Collection Trend
2. Non-Domestic Rates (In-year)	Southwest One Revenues & Benefits Service	Billed: £33.5m	Billed: £ 34.8m	↑
		% Collected: 98.90%	% Collected: 99.01%	
		Total Outstanding 31 March 2011: £0.72m		

Unlike with Council Tax, the collection of Non-Domestic Rates has no direct financial impact on TDBC as any shortfall on collection is met by the central Non-Domestic rating pool. However, poor performance would have a negative impact on the Council's reputation. For this reason, Non-Domestic Rate Council collection is a key performance indicator within the Southwest One contract.

Collection performance is monitored monthly by the Client & Performance team.

In 2010/11 the percentage of Non-Domestic rates which were collected within the financial year was 99.01%.

The performance significantly exceeded the target set of 98.3% and is likely to represent top quartile performance for District Council's nationally.

Debt Type	Responsibility	2009/10	2010/11	Collection Trend
3. Housing Benefit Overpayments	Southwest One Revenues & Benefits Service	Outstanding 31 March: £ 0.93m	Outstanding 31 March: £ 0.96m	↓

For housing benefit overpayments, the collection trend from 2009/10 to 2010/11 is very slightly downwards. Collection performance is monitored quarterly by the Client & Performance team through Performance Indicators measuring the recovery of in-year and all year Housing Benefit overpayment debt.

Performance against these Performance Indicators is reported to the Client & Performance team as well as being shared with the 151 Officer and the Executive and Shadow Portfolio holders.

Of the £0.96m outstanding, £360k is being recovered by deductions from on-going entitlement to Housing Benefit. The government stipulate the maximum weekly deduction is £10.20 or for those with fraudulent overpayments, £13.60. As some individual debts are extremely large, the ability to recover money owing in a timely manner is impacted by these restrictions.

Housing Benefit payments are largely reimbursed to the Council through subsidy, but good recovery of overpaid Housing Benefit will bring in much needed income.

In year collection of Housing Benefit debt at 31 March 2011 was 84.35%.

Debt Type	Responsibility	2009/10	2010/11	Collection Trend
4. Housing Rent (current tenancies)	TDBC Housing Services	97.7% collected	98.1% collected	↑
		Outstanding 31 March 2011: £0.35m		

Although the housing service marginally missed the target which they had set for 2010/11 (98.3%) rent collection performance in 2010/11 showed a stepped improved on that for 2009/10.

Rent collection performance is included in the Community Scorecard and presented to CMT, the Executive and Corporate Scrutiny committee. Performance figures are also presented at the Housing Briefing meeting and Tenant Services Management Board.

Performance is monitored by team targets and individual officer targets; results of the targets are displayed in the Estate Management Office. Arrears levels are discussed at the weekly team meeting and high level arrears are discussed with the Housing Services Lead.

Performance is currently reported in the Annual Report to Tenants and will shortly be reported in the Deane Housing News (Tenant Magazine).

To improve rent collection performance further, housing staff are attending training sessions where necessary and the department have rent focus weeks. A Capita review of the rent collection process will also be undertaken as well as benchmarking through HouseMark (HouseMark is a membership-based organisation that helps the social housing sector improve performance and deliver and demonstrate value for money - www.housemark.co.uk).

4. Finance Comments

Taunton Deane Borough Council collects income from many sources. Efficient collection results in fewer debts being written off and has a significant impact on the Council's budget position.

5. Legal Comments

There are no legal implications associated with this update report.

6. Links to Corporate Aims

Efficient management and collection of debt underpins the Council's ability to afford initiatives which support the Council's corporate aims.

7. Environmental Implications

There are no Environmental implications associated with this update report.

8. Community Safety Implications

There are no community safety issues associated with this update report.

9. Equalities Impact

There are no equalities issues associated with this update report.

10. Risk Management

Performance management arrangements are in place in respect of all debt types due to the Council in order to mitigate financial risks and reputation risks associated with non-collection.

11. Partnership Implications

Council Tax, Non-Domestic Rates, Housing Benefit overpayments and sundry debts within SAP are administered on the Council's behalf by Southwest One, one of the Council's key partnerships.

12. Recommendations

That members note the mostly very positive collection trends over the past 12 months against the backdrop of the significant economic downturn.

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