

Taunton Deane Borough Council

Corporate Governance Committee – 12 December 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 invoiced debts at the **midway point** of the 2011/12 financial year.

The report provides a comparison with the corresponding time in 2010 in order that the performance trend can be established between last year and this.

2. Sundry Debts

Debt Type	Responsibility	1 Oct 2010	1 Oct 2011	Performance Trend at mid point 2011/12
Sundry Debts in SAP	Southwest One Accounts Receivable Service & TDBC Services	Overdue: £ 2.64m	Overdue: £ 2.23m	

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.

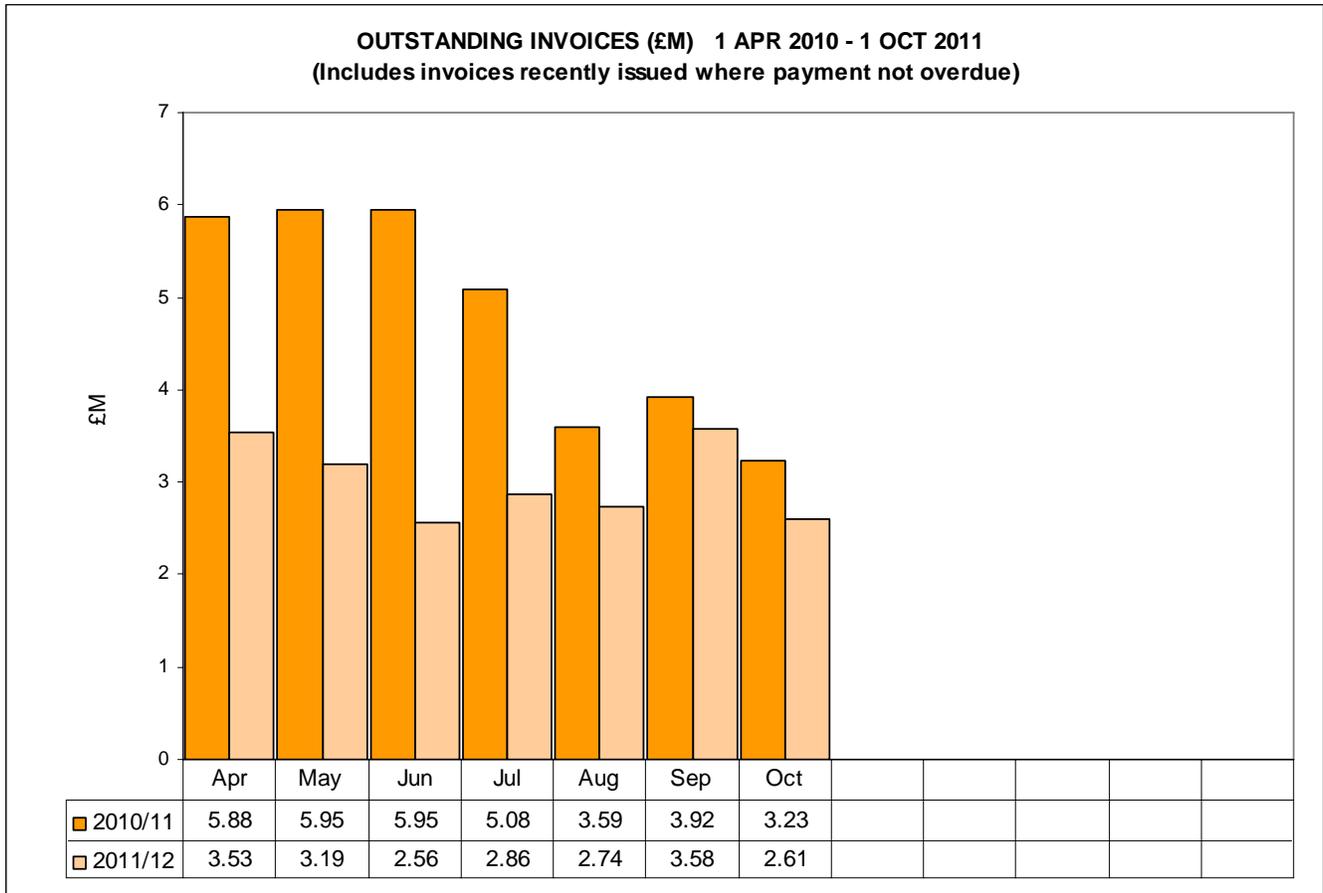
The Council's Performance and Client team regularly monitor the level of sundry debt arrears and the level of sundry debt arrears in SAP is reported quarterly to the Executive and Corporate Scrutiny committee as part of the Council's quarterly corporate scorecard.

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

Tables 1 & 2 below provide some further insight into the direction of travel relating to sundry debt collection for the first half of the financial year.

Table 1 below shows the overdue balance at the beginning of each month between 1 Apr 10 and 1 Oct 2011.

TABLE1

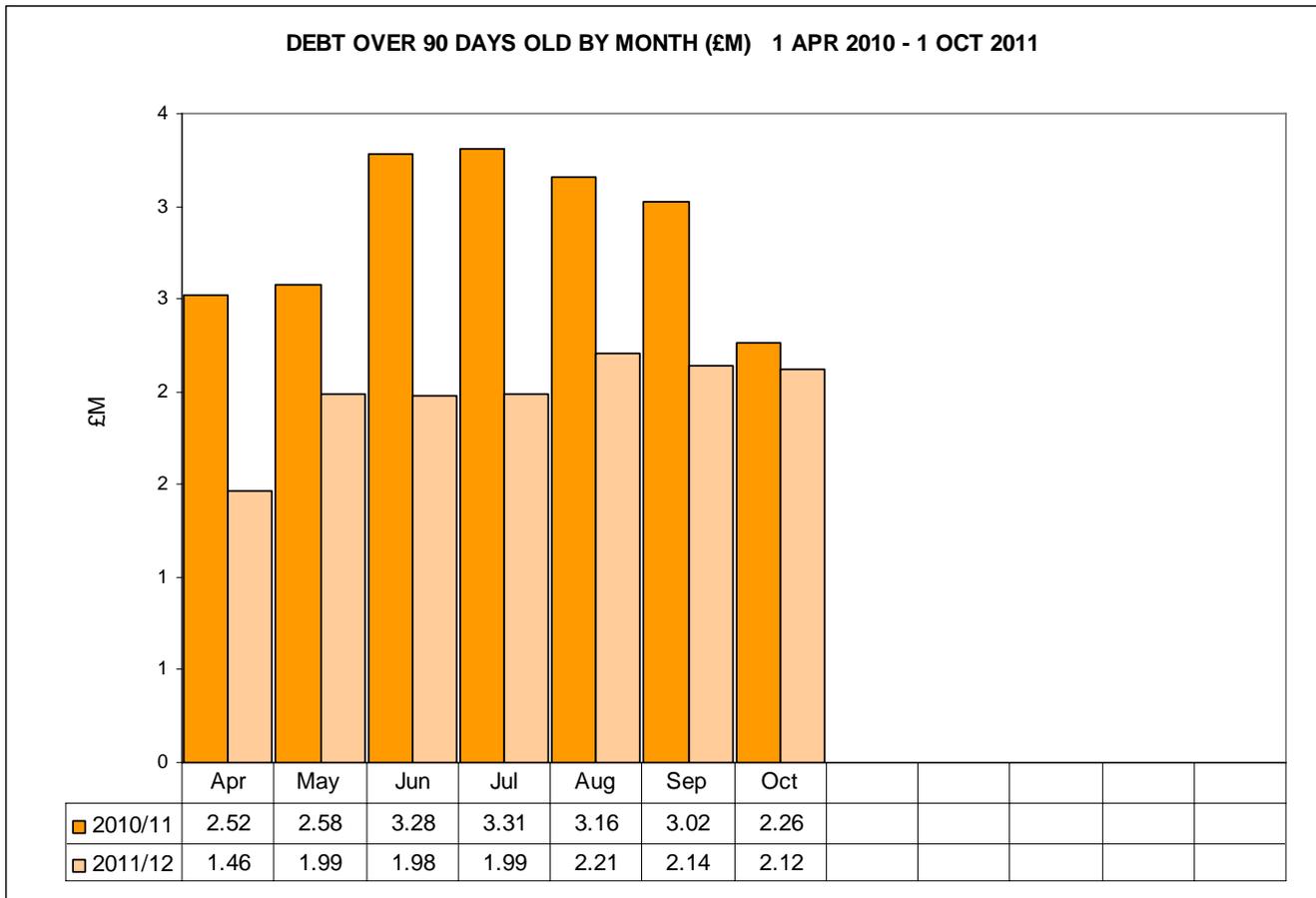


As can be seen from table 1, the value of overdue balances at 1st October 2011 was 15% (or £410K) lower than at the corresponding time in 2010. As can also be seen, the overdue sum for each month so far of the 2011/12 year, has been significantly lower than the corresponding month in 2010/11.

Table 2, over the page, provides a month by month analysis of the value of debts in SAP which were more than 90 days old.

The latest set of figures available at the point of drafting this report (29th November), show that £2.37m is outstanding (£3.25m was due at 1st December 2010)

TABLE 2



The value of debt more than 90 days old at 1st October 2011 was 6% (or £140K) lower than at the corresponding time in 2010.

It can be seen that the level of debt over 90 days old, for each month so far of the 2011/12 year, has been lower than the corresponding month in 2010/11.

On 9th November 2011 Shirlene Adam instructed each Theme Manager to review and identify irrecoverable debts within their themes, with a particular focus on debts which were now more than 2 years old in order that they are not carried forward into the new financial year. The effect of this exercise has not yet been felt.

Since 1st April 2011 £45,663.06 of irrecoverable has been written-off.

Operationally, there have been some issues which the Council are working with Southwest One Accounts Receivable team to address. These relate in the main to excessive delays in reviewing accounts on hold and reviewing accounts which have an instalment plan. Southwest One are reviewing their debt recovery processes across all clients and will share details of their proposals with the clients shortly for review / agreement.

The latest set of figures available at the point of drafting this report (29th November), show that £1.85m debt over 90 days old was outstanding (£1.51m was due at 1st December 2010).

2.1 Council Tax

Debt Type	Responsibility	30 Sept 2010	30 Sept 2011	Performance Trend at mid point 2011/12
Council Tax (In-year)	Southwest One Revenues & Benefits Service	Billed for year: £50,800,667	Billed for year: £51,556,012	
		63.93% Collected at 30/09/10.	63.53% Collected at 30/09/11.	

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 at the end of the first half of 2011/12 showed a slight dip from the corresponding point in 2010/11.

Council Tax collection is monitored daily by the Southwest One Revenues & Benefits team. The latest set of figures available at the point of drafting this report (29th November), show that 76.71% of the years Council Tax had been collected. The Revenues & Benefits service are confident that, based on collection performance so far, they will achieve the collection target which has been set.

The target for the year is 97.8% to be collected at 31st March 2012.

£8,390.70 of the current year's Council Tax has been written-off so far this financial year.

2.2 Business Rates

Debt Type	Responsibility	30 Sept 2010	30 Sept 2011	Performance Trend at mid point 2011/12
2. Non-Domestic Rates (In-year)	Southwest One Revenues & Benefits Service	Billed for year: £35,226,078	Billed for year: £38,141,221	
		64.92% Collected at 30/09/10.	64.55% Collected at 30/09/11.	

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.

Businesses continue to struggle in the current economic climate. Performance is however only slightly down on the corresponding time last year. Robust action continues to be taken to collect the sums which are due.

Non-Domestic Rate collection is monitored daily by the Southwest One Revenues & Benefits team. The latest set of figures available at the point of drafting this report (29th November) 78.47% of the years Rates had been collected. The Revenues & Benefits service are confident that based on collection performance so far they will achieve the collection target which has been set.

Collection performance is monitored monthly by the Client & Performance team. The collection target for the year is 98.4% at 31st March 2012.

£4,133.58 of the current year's Business Rates has been written-off so far this financial year.

2.3 Recoverable Overpaid Housing Benefit

A recoverable overpayment occurs, for example, where customers delay reporting changes in their circumstances (or sometimes when the council is at fault) and results in too much benefit being paid. Regulations define which overpayments are recoverable and from whom they can be recovered. Recovery of the debt will be made by deduction from ongoing housing benefit payments, from certain other welfare benefits (at the discretion of the Department for Work and Pensions) or by invoice if the entitlement to benefit has ended. Where allowed, in instances where the overpayment had been made direct to a landlord, the Revenues & Benefits service make deductions from subsequent payments, in respect of other tenants, that are due to that landlord.

Debt Type	Responsibility	30 Sept 2010	30 Sept 2011	Performance Trend at mid point 2011/12
Recoverable Housing Benefit Overpayments	Southwest One Revenues & Benefits Service	Outstanding 30 Sept 10: £939,482.05	Outstanding 30 Sept 11: £989,402.34	
		Collection rate* 22.5%	Collection rate* 24.33%	

*The collection rate quoted in the table above is calculated by adding the value of overpaid housing benefit which is brought forward at the start of the financial year to the value of new overpayments identified during the financial year and dividing this by payments received during the financial year.

The overall value of debt outstanding will inevitably increase given that this is a cumulative debt and the maximum weekly amount that can be recovered from individuals still receiving benefit is very limited.

The total outstanding included 25 debts totalling £53,398.31 that were created prior to 31 March 2006, for which we are still receiving payment. The Government state we can only recover at less than £12 a week. This could take 16 years or so to collect a £10k debt.

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. The next quarterly figures will be available at end December 2011.

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.

Recoverable Housing Benefit overpayments, which the Council identifies, are in full or in part reimbursed to the Council through subsidy. Good recovery of overpaid Housing Benefit will bring in additional income to the Council as we are permitted to keep all that we collect.

The collection target is 37.5% of all HB overpayments to have been recovered within the financial year at 31st March 2012.

2.4 Housing Rent

Debt Type	Responsibility	30 Sept 2010	30 Sept 2011	Performance Trend at mid point 2011/12
Housing Rent (current tenancies)	TDBC Housing Services	£333,708.62 Arrears	£391,181.17 Arrears	
		96.63% collected	96.59% collected	

At end Qtr 2 2011/12, 96.59% of rent due to that point had been collected. At the corresponding point last year 96.63% of rent due had been collected. This shows a very slight reduction in performance in % terms.

It is important to recognise however that the Council increased rents by approx 6% in 2011/12 so, in monetary terms, the housing section have in excess of £1m extra to collect than for 2010/11 just to 'stand still'.

Current years gross rent payable is £23m.

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.

The Target for 2011/12 is to close the year with £300k, or less, in rent arrears. The latest set of figures available, at the point of drafting this report (29th November) was that rent arrears stood at £348,382. The housing estates team are confident that they will reach the target by the end of financial year.

Staff role changes during August allow for arrears collection to be a priority for the team, who are continually working on actions to ensure they maximise income.

£643.33 of rent for current tenants has been written-off so far during 2011/12.

3. Finance Comments

The efficient collection of debts due to the Council is a major part of the Council's overall financial strategy and robust collection arrangements are clearly essential in order to maximise Council income.

4. Legal Comments

There are no legal implications associated with this update report.

5. Links to Corporate Aims

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

6. Environmental Implications

There are no Environmental implications associated with this update report.

7. Community Safety Implications

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

8. Equalities Impact

There are no equalities issues associated with this update report.

9. 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.

10. 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.

11. Recommendations

That members note the largely positive collection trends against the backdrop of the significant economic downturn.

Contact: Paul Harding, Performance & Client Lead
01823 356309
p.harding@tauntondeane.gov.uk