

Taunton Deane Borough Council

Corporate Governance Committee – 25 June 2012

Debt Recovery Update

Report of the Corporate and Client Services Lead

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

1. Executive Summary

The primary purpose of this report is to provide members with an update on how the Council is managing the collection of its Sundry Debts.

Performance information is also provided relating to other invoiced account types, in order to provide members with a more complete picture of the Council's debt collection performance.

2. Sundry Debts

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.

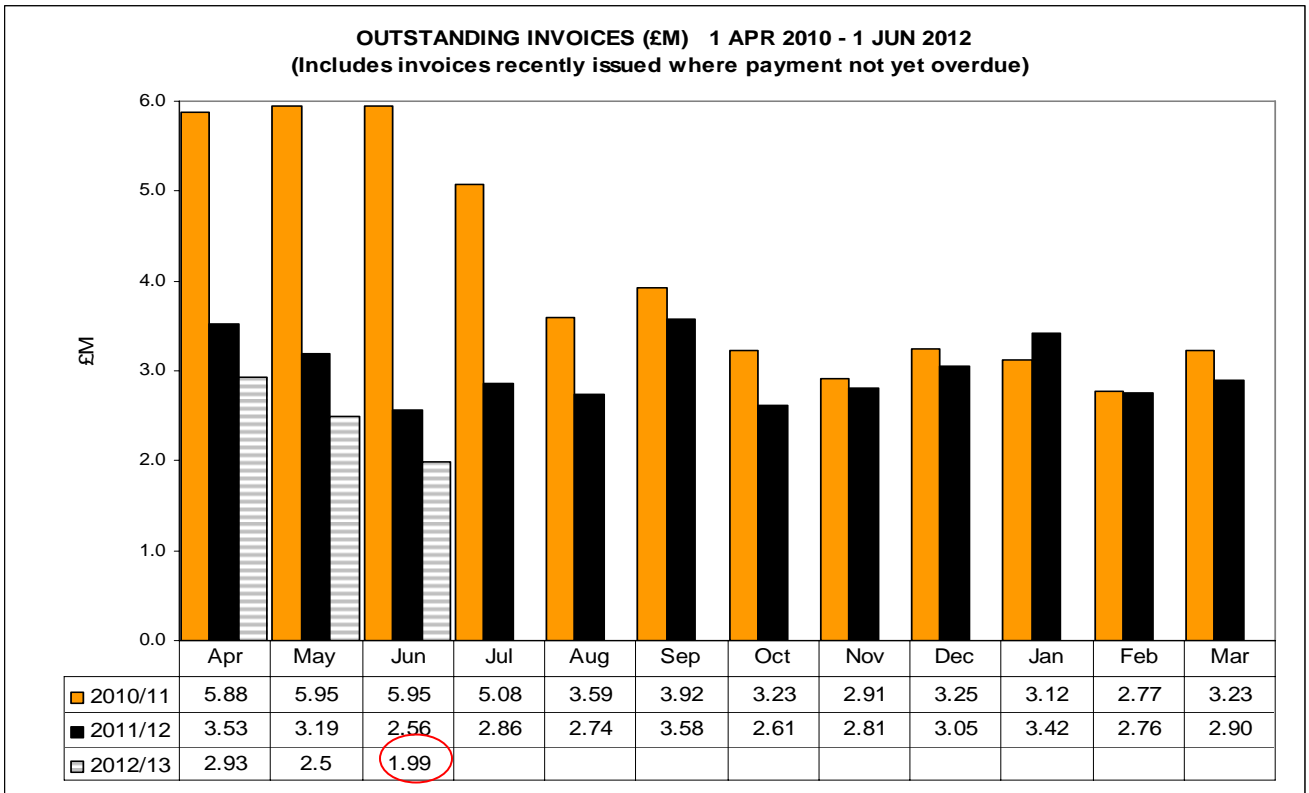
Since 1st April 2009 the majority of the Council's sundry debts have been administered using the SAP computer system.

The Council's Corporate & Client Services 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.

2.2 Performance

Responsibility	2010/11	2011/12
Southwest One Accounts Receivable Service & TDBC Services	Outstanding 1 June 2011: £ 2.56M	Outstanding 1 June 2012: £1.99M
	Debt over 90 days old 1 June 2011: £1.98m	Debt over 90 days old 1 June 2012: £1.44m

TABLE 1 - Outstanding invoices

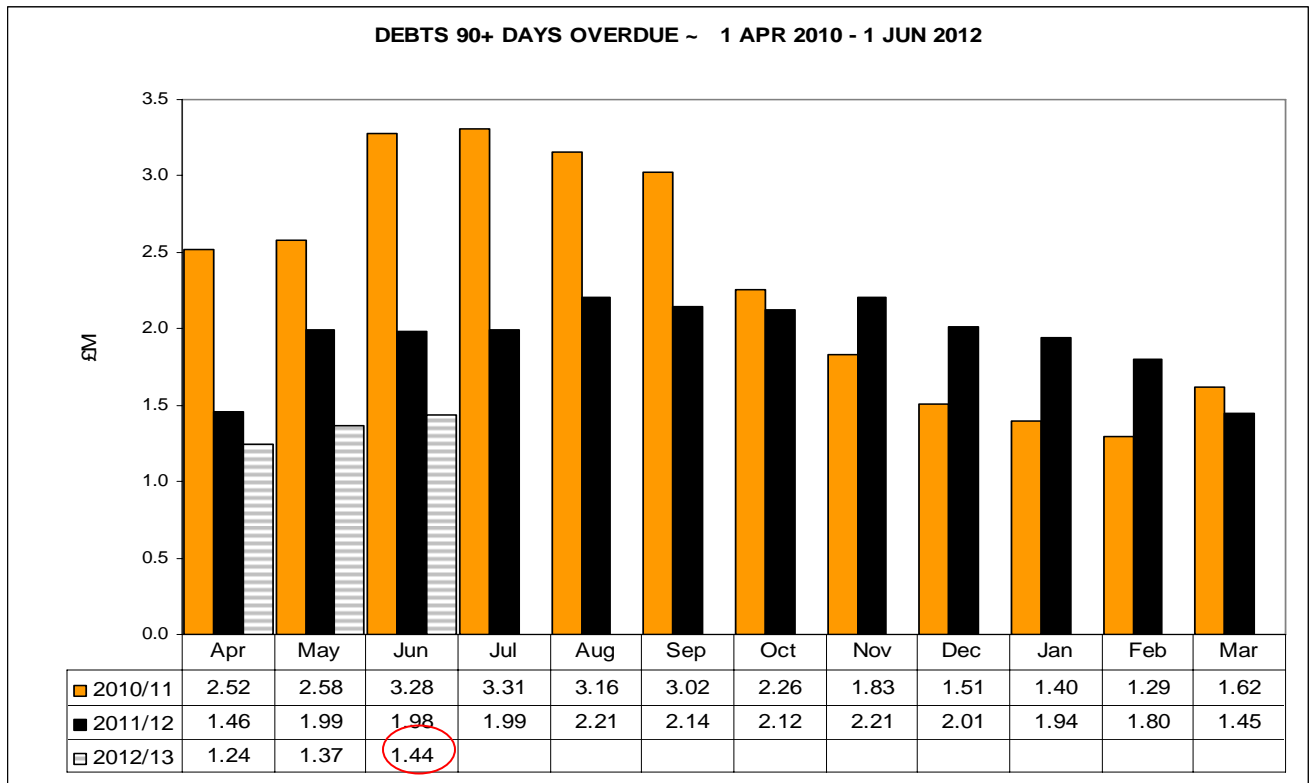


As can be seen above, at 1 June 2012 there was a fall in the value of outstanding invoices on the corresponding time in 2011, which in turn showed a sharp fall on 2010.

The 'Outstanding' sum includes some 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).

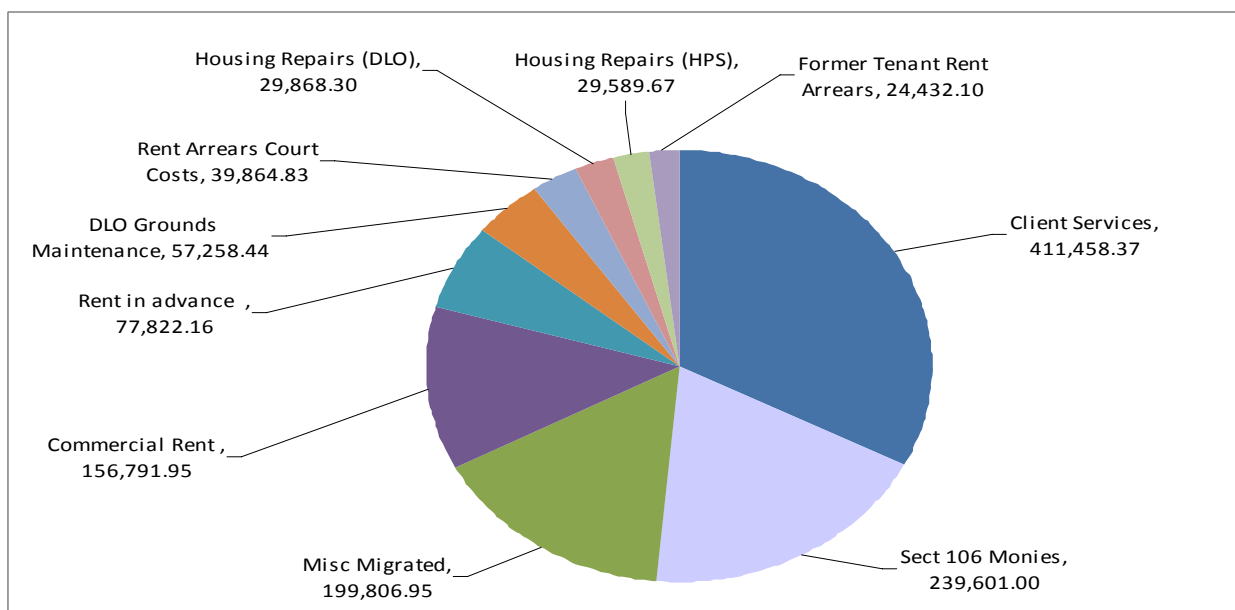
Although the value of outstanding invoices is a useful indicator, greater importance is placed on knowing the trend of debt value once the invoice is 90 days old or more. Once a debt has reached this point there is a stronger possibility that it will become a 'bad debt' and therefore it is important to take action to keep the value of debts which are over 90 days old as low as possible.

TABLE 2 - Debts over 90 days old



As can be seen from the above table, the value of debt more than 90 days old at 1st June 2012 was **27% lower** than at the corresponding time in 2011 and is less than half the value at 1st June 2010.

Table 3 - Top 10 sundry debt account types (by value), which have debts over 90 days old outstanding (at 1st June 2012)



2.3 Write-Offs

During 2011/12 £515k of irrecoverable sundry debt was written-off. This was largely the result of Theme Managers having been given an instruction to review their long outstanding debts, particularly those which had migrated onto SAP from the Council's previous sundry debtors system in 2009.

A number of debts which were irrecoverable, typically due to insolvency, the debtor having absconded, or the debtor having died without sufficient estate should have ideally been passed for write-off much sooner but had been left open.

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

3.1 **COUNCIL TAX**

Responsibility	2010/11	2011/12
Southwest One Revenues & Benefits Service	Billed: £50.7m	Billed: £51.4m
	% Collected: 98.21%	% Collected: 98.34%
	Total Outstanding 31 March 2012: £851,021 for 2011/12 (£4.1m for all years)	

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 Corporate & Client Services team.

In 2011/12 98.34% of Council Tax was collected within the financial year.

The performance exceeded the target set of 97.8%.

At 31st March 2012 99.43% of the £646.1m which TDBC had billed in earlier financial years (e.g. between 1st April 1993 and 31st March 2011) had been collected.

During 2011/12 £325k of irrecoverable debt was written off. (£26k related to 2011/12 debts and £299k related to debts raised in earlier years)

3.2 NON-DOMESTIC RATES

Responsibility	2010/11	2011/12
Southwest One Revenues & Benefits Service	Billed: £34.8m	Billed: £ 37.6m
	% Collected: 99.01%	% Collected: 99.22%
	Total Outstanding 31 March 2012: £292k for 2011/12 (£3.8m for all years)	

Unlike with Council Tax, the collection of Non-Domestic Rates currently has no direct financial impact on TDBC as any shortfall on collection is met by the central Non-Domestic rating pool. However, from 1st April 2013 new funding arrangements will be put in place which will make the collection of Non-Domestic Rates a key priority for TDBC as it will represent one of the largest sources of Council funding from that date. Non-Domestic Rate Council collection is a key performance indicator within the Southwest One contract.

Collection performance is monitored monthly by the Corporate & Client Services team

In 2011/12 the percentage of Non-Domestic rates which were collected within the financial year was 99.22%.

The performance **significantly exceeded** the target set of 98.40% and is likely to represent **top quartile** performance nationally.

During 2011/12 £391k of irrecoverable debt was written off. (£53k related to 2011/12 debts and £338k related to debts raised in earlier years)

3.3 HOUSING BENEFIT OVERPAYMENTS

Responsibility	2010/11	2011/12
Southwest One Revenues & Benefits Service	Outstanding 31 March: £ 0.96m	Outstanding 31 March: £ 0.98m

Collection performance is monitored quarterly by the Corporate & Client Services 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 Corporate & Client Services team as well as being shared with the 151 Officer and the Executive and Shadow Portfolio holders.

Of the £ 983k outstanding, £ 358k is being recovered by deductions from on-going entitlement to Housing Benefit. The government stipulate the maximum weekly deduction is £ 10.65 or for those with fraudulent overpayments, £ 17.75. 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 additional income to the Council.

In-year collection of Overpaid Housing Benefit debt at 31 March 2012 was 91.59 %.

3.4 **HOUSING RENT** (Current Tenancies)

Responsibility	2010/11	2011/12
TDBC Housing Services	98.1% collected	98.4% collected
	Outstanding 31 March 2012: £ 361,530.51	

The target for 2011/12 was 98.3% and the Estates team achieved 98.43%.

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 is reported in the Deane Housing News (Tenant Magazine).

During 2011/12 £83,706 rent was written off.

4. **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.

The cost of carrying sundry debt balances will vary depending on daily balances of outstanding debt. The impact of these debtor balances on the cash flows of the council is dealt with through the treasury management process. There are many

factors that can influence daily cash balances. However, taking the impact of debtors in isolation of other factors the approximate cost can be measured using the Council's 'consolidated rate of interest' (CRI). This is currently estimated at 3.05%, which means the daily cost of £100,000 of outstanding debtors is approximately £8 per day.

As a **guide**, assuming an average daily balance of £3m of invoiced but not paid sundry debtors, a broad estimate of the annual impact of this debtor balance on the overall net interest costs/income for the Council would be in the region of £90,000.

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 supporting 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 positive collection trends over the past 12 months against the backdrop of continuing significant economic downturn.

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