



AUDIT COMMITTEE REPORT

Report Title	Debt Analysis Report
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Audit Committee Meeting Date:	18 January 2016
Policy Document:	No
Directorate:	Finance Directorate LGSS
Accountable Cabinet Member:	Cllr Mike Hallam

1. Purpose

- 1.1 Previously 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

3.0 Report Background

- 3.1 The corporate debt recovery team, part of LGSS Revenues and Benefits, 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)

3.2 The corporate debt recovery team liaise with all service departments to ensure that income collection and debt avoidance practices are incorporated 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. This activities such as:

- 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 in respect of 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.

3.3 In 2010 the Council introduced a methodology across all debt types to differentiate between managed and unmanaged debt (sometimes called “inactive” debt).

3.4 Managed debt is where a debt type is within a specific set of clearly measureable criteria, and unmanaged debt is outside these criteria. An example of this is:

Criteria “Invoiced debt will be sent a reminder if it remains unpaid after 28 days”. All debts invoiced and outstanding less than 29 days is “managed”, any debt outstanding after 28 days, outstanding and not issued with a reminder is “unmanaged”. The debt that has just had a reminder issued would then become subject to a new set of criteria for invoices at reminder stage, which it is measured against.

3.5 This principle supports the theory that managed debt is more likely to be paid, and more promptly. It can be applied to all stages in the life of a debt, how long a disputed debt is on hold, how long a debt is with enforcement agents, or how long it takes to through a legal process etc.

- 3.6 The process supports evidence gathering for process change and improvement, identifying blockages, removing hearsay and myth busting, and the write-off of irrecoverable debts at an earlier stage.
- 3.7 Each service area has a detailed recovery timetable, with definitions of debt type and criteria that recovery is taken against.
- 3.8 The amount of unmanaged debt is a corporate KPI. Currently being no more than 4.5%.
- 3.9 Since 2010, the amount of unmanaged debt has continued to reduce, whilst at the same time processes and criteria have strengthened over the same period.

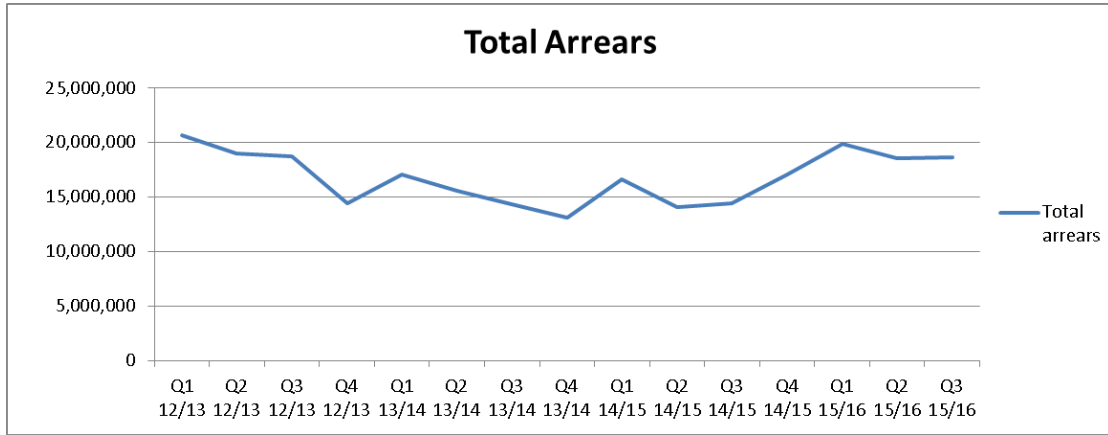
4.0 Issues

- 4.1 Debt is harder to collect than ever, with more long term arrangements being made, and there is a need to look at a customer's total indebtedness
- 4.2 There is a need to balance the recovery action as being appropriate, whilst not raising unnecessary recovery costs, which add to the debt and unnecessary stress for customers.
- 4.3 Comparing debt types against each other is difficult as they are measured in different ways, Council Tax and NNDR are measured on current year debt and all previous years debt is arrears, regardless of what recovery stage the debt is at, or when the debt is raised. The other debts can be measured on an age basis.
- 4.4 All debt types have different recovery options and consequences, and priorities, therefore good collection against Council Tax and on-going rent, could have a detrimental impact on the collection of sundry debts, Former Tenant Arrears and overpaid Housing Benefit.
- 4.5 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, and with the voluntary sector, to ensure we take a truly corporate approach to debt avoidance and recovery.

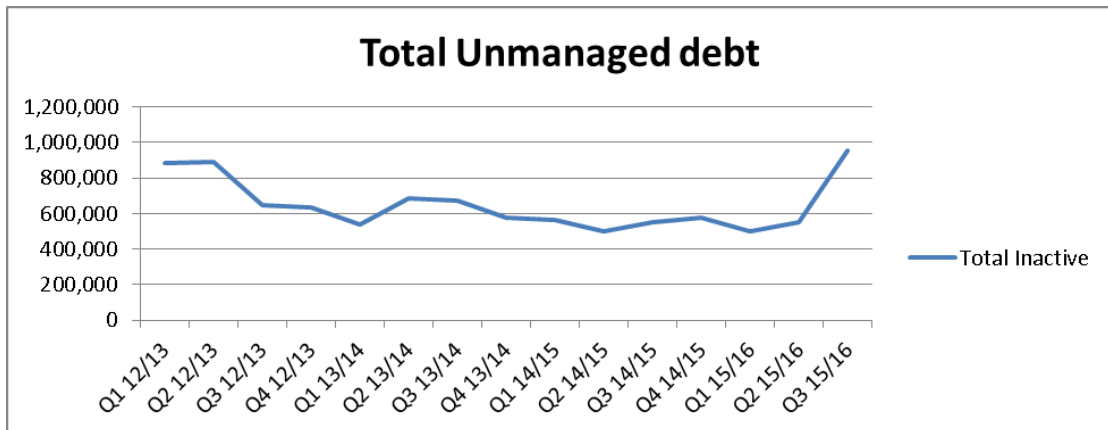
5.0 Progress

- 5.1 We have compiled corporate debt matrix that monitors the % of debt not currently managed within the Council. This offers "at a glance" view of all debt across the Council, along with the current status of debt. This has improved the way our Cabinet Member and management board review our position on debt.
- 5.2 Quarterly performance for 12/13 and 13/14 (Please see appendix 5.1)

- 5.3 Quarterly performance for 14/15 and 15/16 to date (Please see appendix 5.2)
- 5.4 Rolling 12 month comparative performance (Please see appendix 5.3)
- 5.5 Overall debt levels as at 30th November 2015

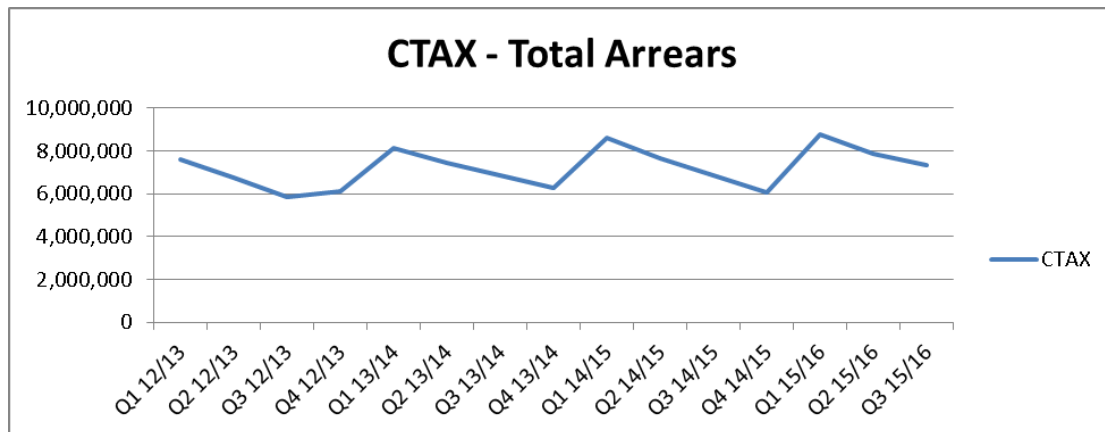


The overall outstanding arrears have increased by £3,591k compared to the same point last year. Please see individual debt types for explanation of increase.

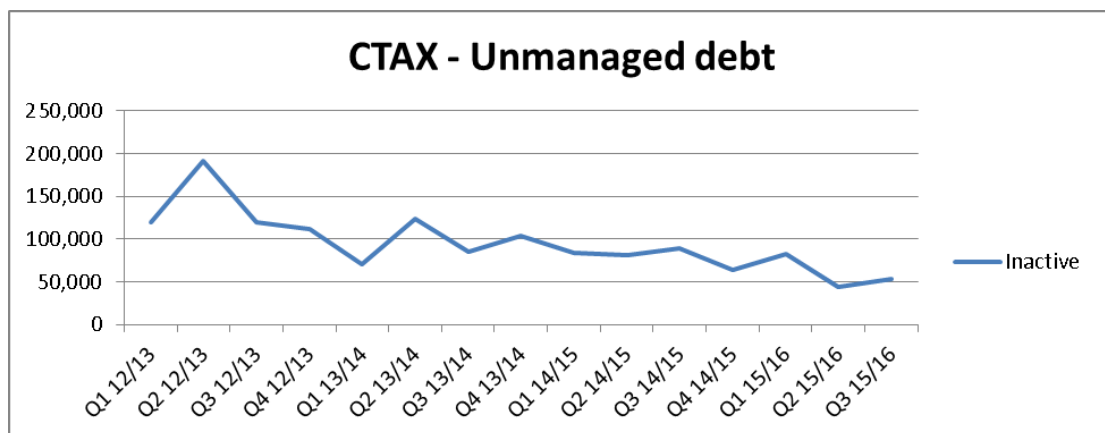


Unmanaged debt is £371k more than the same time last year. If the specific issue already identified within sundry debt figures was addressed, it would have reduced the proportion of unmanaged debt against the overall arrears, demonstrating that overall the Council is working much harder to maximise its income.

5.6 Council Tax as at 30th November 2015



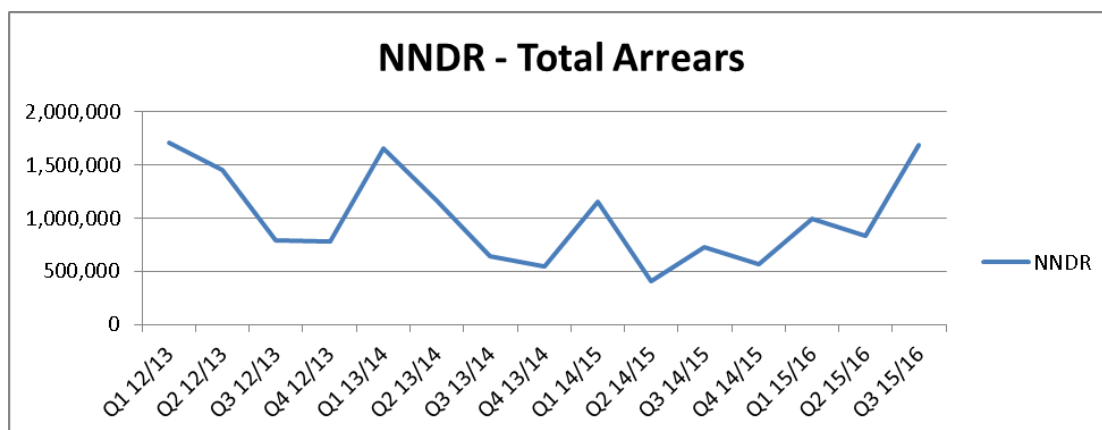
The overall outstanding arrears are £369k more than at the same point last year, which is due to an increase in Council Tax charge in 2014/15 and a reduction in the 2014/15 Council Tax Reduction Scheme.



Unmanaged debt is £53k less than the same time last year, which demonstrates that despite the increase in arrears, the debt is being worked harder. This has resulted in £76k more arrears being collected in this financial year to date.

The Welfare Reform measures are definitely making it harder for those Council Tax payers on low incomes being able to pay their Council Tax, and there has been a significant rise in the number of attachment of benefits orders.

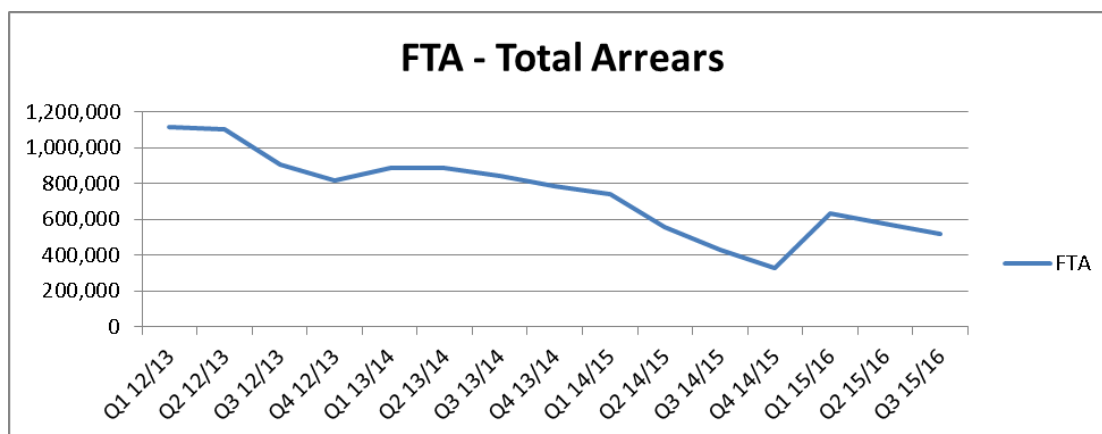
5.7 Business Rates (NNDR) as at 30th November 2015



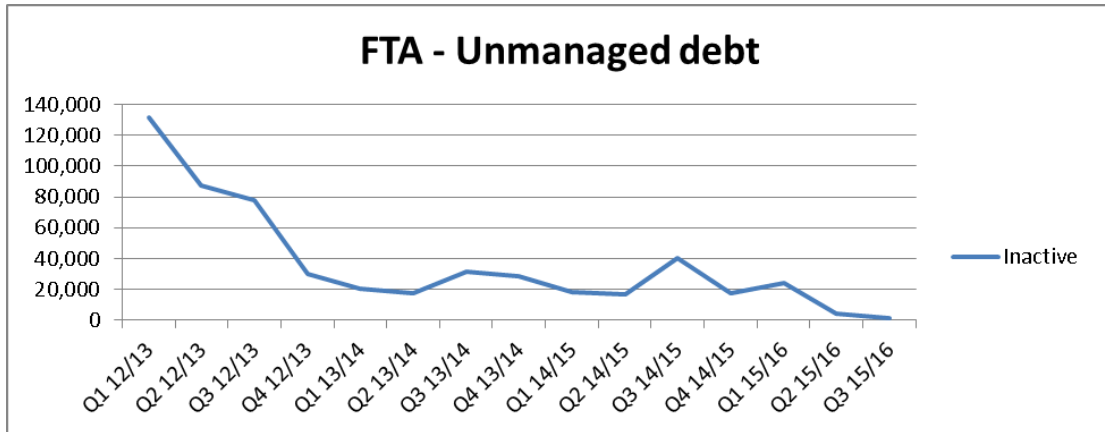
The overall outstanding arrears are £839k more than at the same point last year. This is primarily due to increased rateable values being backdated into 2014/15, which has raised additional arrears of £867k in the last month alone. This is expected to be paid by the end of March 2016.

There is no unmanaged debt remains unchanged in NNDR as all accounts continue to be monitored on a monthly basis, due to the low number and high value of cases.

5.8 Former Tenant Arrears as at 30th November 2015

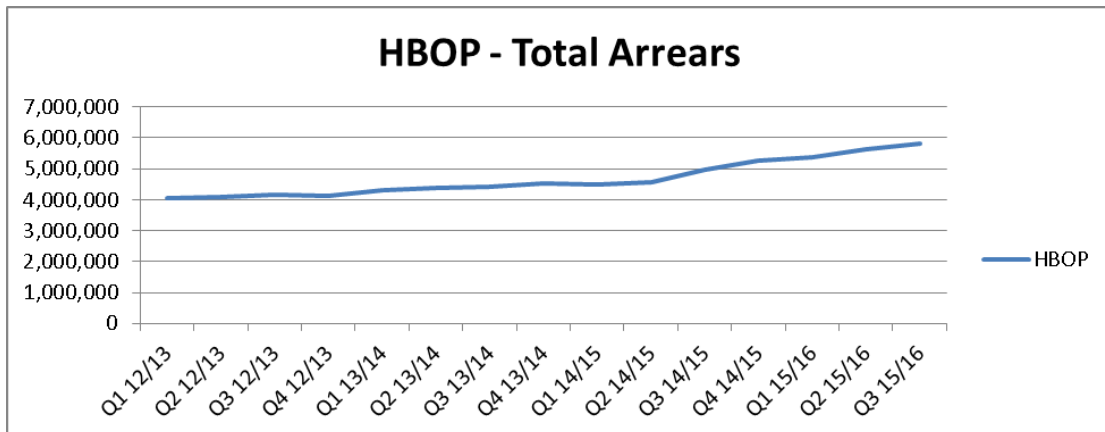


The overall outstanding arrears are £411k more than at the same point last year. This is due to a rise in the number of evictions, absconders and other terminations of tenancy.

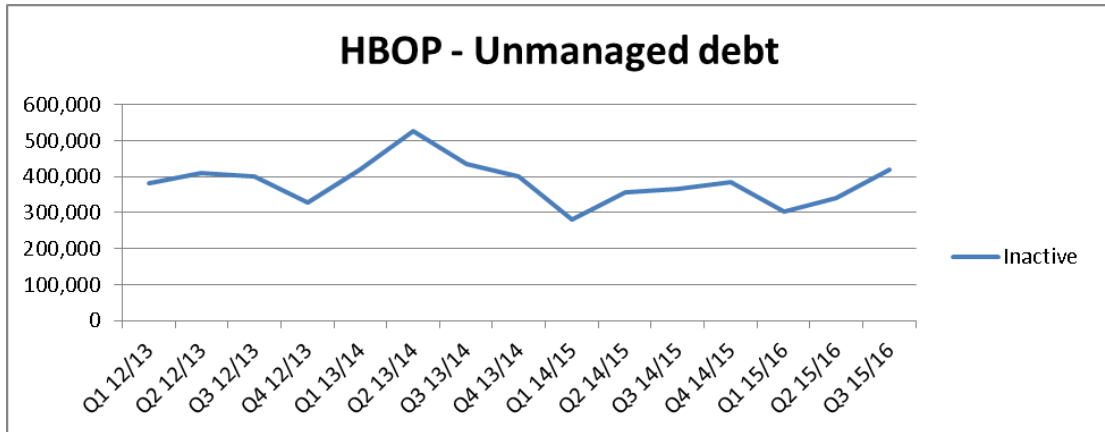


Unmanaged debt is £44k less than the same time last year, which demonstrates that despite the increase in arrears, the debt is being worked harder. This is the lowest amount of inactive debt to date.

5.9 Housing Benefit Overpayments Payments as at 30th November 2015

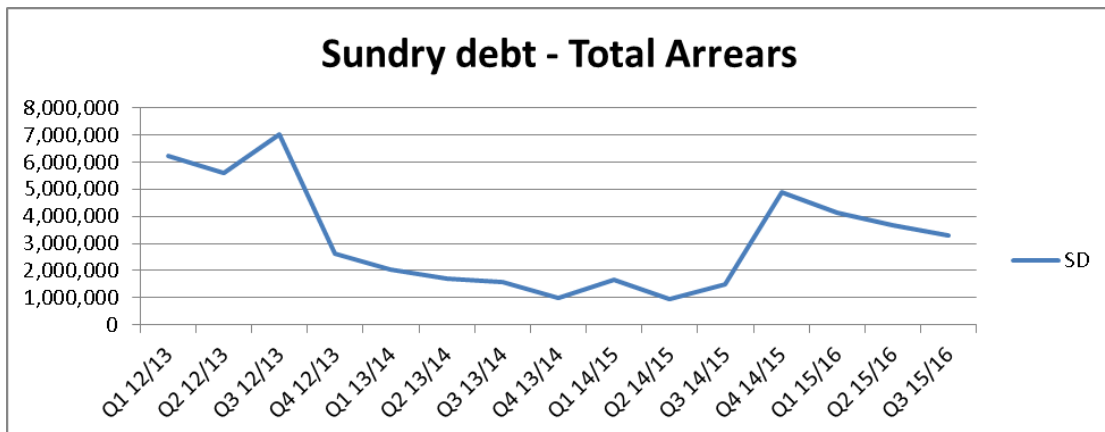


The overall outstanding arrears are £986k more than at the same point last year. This is a national trend as the DWP has introduced two major initiatives, being “Real Time Information” and “Fraud and Error Reduction Incentive Scheme”, which the Council is fully supporting. These are designed to drive error and fraud out of the benefit system, however the consequence is that it creates overpayments that need collecting. The current benefit team’s performance has lessened the comparable impact on the Council, and coupled with working the debt harder, as demonstrated in the reduction in the percentage of unmanaged debt, these debts remain very difficult to collect due recovery methods available to us, and the economic climate.

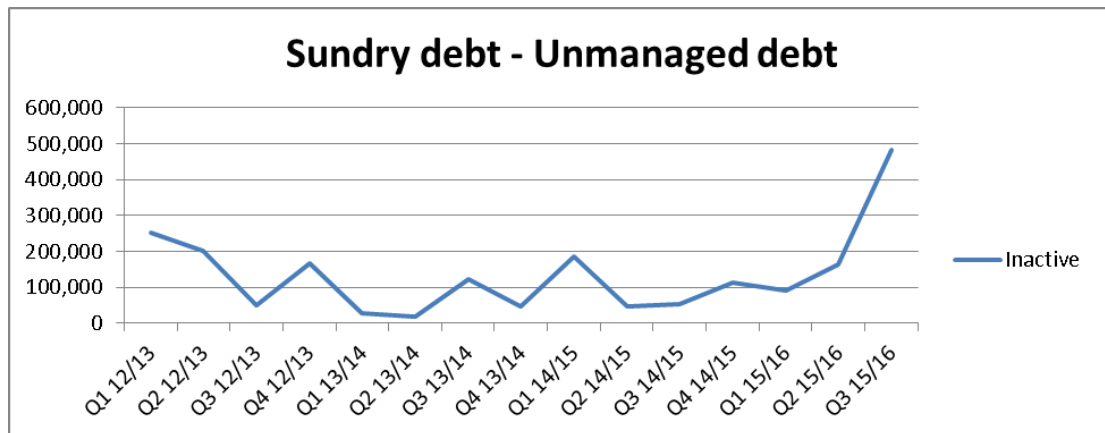


Unmanaged debt is £23k more than the same time last year, but as a proportion of the outstanding balance it has reduced. The Welfare Reform measures are definitely making it harder for these debtors to pay, and as the debt is deemed as “low priority”, when compared to other debt types, and arrangements tend to be small amounts over a long period of time. We have also seen an increase in direct debit payers for this type of debt, but once again small amounts over a longer period of time.

5.9 Sundry Debts as at 30th November 2015



The overall outstanding arrears are £1,355k more than at the same point last year, however this is slightly distorted. Of the invoices over £100k outstanding as at the 30th November, totalling £1,897k, only an NPH invoice totalling £682k remains due for payment.



The unmanaged debt is £446k more than the same time last year. This is due to a higher than normal amount of unmanaged Sundry Debt amounting to around £399k. All of this controlled recovery activity is undertaken within the individual service areas in the Council. Around £364k lies within Asset Management, who are aware of this recent spike and are taking measures to address this in the coming months. The unmanaged debt element of the Sundry Debt measure under direct control of the corporate debt recovery team is 0%

6.0 Resources and Risk

We are still reviewing the implications of welfare reform on the collection of debts across the Council. Reductions in benefits, which started to have an impact during 2011/12 continue and despite the number of claimants reducing during the same period, it has left a core of households with limited, or less, income to allocate to debts they may owe to the Council. This situation is not expected to improve significantly in the next few years.

7.0 Legal

- 7.1 Corporate Debt Policy
- 7.2 Corporate Debt Principles
- 7.3 Financial Instruction AR04 – Write-offs

8.0 Equality

An equality impact assessment, initial screening has been completed.

9.0 Consultees (Internal and External)

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.

10.0 Implications

N/A

11.0 Background Papers

N/A

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Ian Tyrer, Revenues Manager**

Appendix 5.1								
YEAR on YEAR PERFORMANCE	2012/13				2013/14			
	JUN	SEP	DEC	MAR	JUN	SEP	DEC	MAR
TOTAL ARREARS	20,686,484	18,990,764	18,708,429	14,448,119	17,025,467	15,552,879	14,348,298	13,133,970
Total Awaiting Action	882,816	889,537	650,088	635,627	538,313	686,348	672,446	578,997
Managed Debt	19,803,668	18,101,227	18,058,341	13,812,492	16,466,850	14,866,531	13,675,852	14,052,291
% unmanaged debt [PI]	4.27%	4.68%	3.47%	4.40%	3.16%	4.41%	4.69%	4.41%
CTAX	7,590,716	6,748,461	5,851,338	6,090,189	8,149,267	7,430,390	6,857,434	6,281,511
unmanaged debt	118,927	190,988	119,645	111,528	71,102	123,521	84,934	103,752
managed debt	7,471,789	6,557,474	5,731,693	5,978,660	8,078,165	7,306,869	6,772,500	6,177,759
unmanaged debt	1.57%	2.83%	2.04%	1.83%	0.87%	1.66%	1.24%	1.65%
NNDR	1,709,394	1,454,169	792,303	776,782	1,650,440	1,162,504	639,286	543,491
unmanaged debt	0	0	0	0	0	0	0	0
managed debt	1,709,394	1,454,169	792,303	776,782	1,630,136	1,162,504	639,286	543,491
unmanaged debt	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
FTA	1,112,712	1,101,424	907,131	814,503	883,694	886,670	845,330	784,750
unmanaged debt	131,638	87,568	78,244	30,016	20,639	17,649	31,602	28,324
managed debt	981,074	1,013,856	828,887	784,487	863,054	869,021	813,728	756,426
unmanaged debt	11.83%	7.95%	8.63%	3.69%	2.34%	1.99%	3.74%	3.61%
HBOP	4,062,784	4,090,115	4,152,394	4,122,698	4,313,173	4,381,953	4,413,462	4,515,411
unmanaged debt	380,956	409,456	402,007	328,701	418,400	528,023	434,249	399,861
managed debt	3,681,828	3,680,659	3,750,387	3,793,997	3,894,773	3,853,930	3,979,213	4,115,550
unmanaged debt	9.38%	10.01%	9.68%	7.97%	9.70%	12.05%	9.84%	8.86%
Sundry Debt	6,210,878	5,596,594	7,005,263	2,643,948	2,028,893	1,691,362	1,592,786	1,008,807
unmanaged debt	251,296	201,526	50,191	165,382	28,172	17,155	121,661	47,060
managed debt	5,959,582	5,395,068	6,955,072	2,478,566	2,000,722	1,674,207	1,471,125	961,747
unmanaged debt	4.05%	3.60%	0.72%	6.26%	1.40%	1.01%	7.64%	4.66%

Appendix 5.2							
YEAR on YEAR PERFORMANCE	2014/15				2015/16		
	JUN	SEP	DEC	MAR	JUN	SEP	NOV
TOTAL ARREARS	18,208,120	14,124,390	14,440,723	17,079,190	19,855,282	22,074,394	18,642,332
Total Awaiting Action	567,258	499,008	550,951	580,064	498,052	552,182	954,877
Managed Debt	17,640,862	13,625,382	13,889,772	16,499,126	19,357,231	21,522,212	17,687,455
% unmanaged debt [PI]	3.12%	3.53%	3.82%	3.40%	2.51%	2.50%	5.12%
CTAX	8,597,465	7,664,327	6,851,511	6,053,552	8,739,169	7,857,713	7,342,207
unmanaged debt	83,329.16	81,410	89,457	63,263	81,903	43,391	53,786
managed debt	8,514,136	7,582,917	6,762,054	5,990,289	8,657,265	7,814,322	7,288,422
unmanaged debt	0.97%	1.06%	1.31%	1.05%	0.94%	0.55%	0.73%
NNDR	1,148,540	407,858	721,649	568,644	991,831	830,958	1,688,848
unmanaged debt	0	0	0	0	0	0	0
managed debt	1,148,540	407,858	721,649	568,644	991,831	830,958	1,688,848
unmanaged debt	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
FTA	742,327	557,708	429,510	328,049	635,801	573,762	518,318
unmanaged debt	18,007	16,431	40,378	17,761	24,097	4,015	933
managed debt	724,320	541,277	389,132	310,288	611,704	569,747	517,385
unmanaged debt	2.43%	2.95%	9.40%	5.41%	3.79%	0.70%	0.18%
HBOP	4,489,715	4,555,039	4,960,760	5,243,926	5,356,015	5,645,801	5,805,170
unmanaged debt	280,033	355,323.49	366,800	386,239	302,154	340,936	418,648
managed debt	4,209,682	4,199,716	4,593,960	4,857,687	5,053,861	5,304,865	5,386,522
unmanaged debt	6.24%	7.80%	7.39%	7.37%	5.64%	6.04%	7.21%
Sundry Debt	1,645,384	939,457.37	1,477,293	4,885,020	4,132,467	7,166,160	3,287,789
unmanaged debt	185,889	45,844.00	54,316	112,802	89,897	163,839	481,509
managed debt	1,459,495	893,613	1,422,977	4,772,218	4,042,570	7,002,321	2,806,280
unmanaged debt	11.30%	4.88%	3.68%	2.31%	2.18%	2.29%	14.65%

Appendix 5.3													
Rolling Year	Nov-14	Dec-14	Jan-15	Feb-15	Mar-15	Apr-15	May-15	Jun-15	Jul-15	Aug-15	Sep-15	Oct-15	Nov-15
TOTAL ARREARS	15,050,831	14,440,723	14,644,727	15,079,585	17,079,191	20,082,983	19,036,952	19,855,283	18,778,191	19,509,096	22,074,394	17,558,291	18,642,332
unmanaged debt	583,173	550,951	474,560	594,959	580,065	447,272	528,392	498,052	634,254	972,351	552,182	642,253	954,877
Debt in Progress	14,467,660	13,889,772	14,170,165	14,484,626	16,499,126	19,635,711	18,508,560	19,357,231	18,143,937	18,536,745	21,522,213	16,916,038	17,687,455
% unmanaged debt [PI]	3.87%	3.82%	3.24%	3.95%	3.40%	2.23%	2.78%	2.51%	3.38%	4.98%	2.50%	3.66%	5.12%
CTAX	6,972,411	6,851,511	6,522,015	4,942,578	6,053,552	9,287,298	8,955,238	8,739,169	8,257,344	8,030,662	7,857,713	7,481,719	7,342,207
unmanaged debt	107,575	89,457	52,642	85,331	63,263	84,246	108,172	81,903	100,483	114,602	43,391	67,135	53,786
managed debt	6,864,836	6,762,054	6,469,373	4,857,247	5,990,289	9,203,051	8,847,066	8,657,265	8,156,861	7,916,060	7,814,322	7,414,584	7,288,422
unmanaged debt	1.54%	1.31%	0.81%	1.73%	1.05%	0.91%	1.21%	0.94%	1.22%	1.43%	0.55%	0.90%	0.73%
NNDR	849,273	721,649	774,634	1,047,581	568,644	1,293,525	906,635	991,831	1,165,951	1,104,323	830,958	821,547	1,688,848
unmanaged debt	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
managed debt	849,273	721,649	774,634	1,047,581	568,644	1,293,525	906,635	991,831	1,165,951	1,104,323	830,958	821,547	1,688,848
unmanaged debt	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
FTA	477,453	429,510	407,920	334,727	328,049	734,540	689,855	635,801	630,916	625,536	573,762	542,714	518,318
unmanaged debt	44,671	40,378	11,755	6,896	17,761	4,757	11,404	24,097	22,356	39,267	4,015	2,732	933
managed debt	432,782	389,132	396,164	327,831	310,288	729,782	678,451	611,704	608,560	586,269	569,747	539,981	517,385
unmanaged debt	9.36%	9.40%	2.88%	2.06%	5.41%	0.65%	1.65%	3.79%	3.54%	6.28%	0.70%	0.50%	0.18%
HBOP	4,819,186	4,960,760	5,108,120	5,208,681	5,243,926	5,341,081	5,324,474	5,356,015	5,400,878	5,563,545	5,645,801	5,664,808	5,805,170
unmanaged debt	395,902	366,800	352,444	445,013	386,239	313,673	338,524	302,154	371,648	651,923	340,936	425,958	418,648
managed debt	4,423,285	4,593,960	4,755,676	4,763,668	4,857,687	5,027,408	4,985,951	5,053,861	5,029,230	4,911,622	5,304,865	5,238,850	5,386,522
unmanaged debt	8.22%	7.39%	6.90%	8.54%	7.37%	5.87%	6.36%	5.64%	6.88%	11.72%	6.04%	7.52%	7.21%
Sundry Debt	1,932,508	1,477,293	1,832,038	3,546,018	4,885,020	3,426,540	3,160,750	4,132,467	3,323,102	4,185,029	7,166,160	3,047,503	3,287,789
unmanaged debt	35,025	54,316	57,719	57,719	112,802	44,595	70,293	89,897	139,767	166,559	163,839	146,428	481,509
managed debt	1,897,484	1,422,977	1,774,318	3,488,299	4,772,218	3,381,945	3,090,457	4,042,570	3,183,335	4,018,470	7,002,321	2,901,075	2,806,280
unmanaged debt	1.81%	3.68%	3.15%	1.63%	2.31%	1.30%	2.22%	2.18%	4.21%	3.98%	2.29%	4.80%	14.65%