



## AUDIT COMMITTEE REPORT

<b>Report Title</b>	<b>Corporate debt – Progress and Age debt analysis</b>
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**AGENDA STATUS: PUBLIC**

<b>Audit Committee Meeting Date:</b>	14 November 2016
<b>Policy Document:</b>	No
<b>Directorate:</b>	Finance Directorate LGSS
<b>Accountable Cabinet Member:</b>	Cllr Brandon Eldred

### **1. Purpose**

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- 1.1 To update Committee on the position regarding the Council's outstanding debts as at 30 September 2016.

### **2. Recommendations**

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- 2.1 To note the latest position in relation to the Council's outstanding debts as at 30 September 2016
- 2.2 To consider whether Committee requires any additional information in order to fulfil its governance role.

### **3. Issues and Choices**

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#### **3.1 Report Background**

- 3.1.1 The Revenues and Benefits Service compile a corporate debt summary that monitors the % of debt not currently managed (inactive debt) within the Council. This has been in place for a number of years and provides assurance that all debt is managed to a high standard and not left idle. The % that is shown relates to debt that has fallen out of one status and is in the process of being moved to another

stage. This summary also provides a view of the current status of debt.

3.1.2 Managed debt is where a debt type is within a specific set of clearly measurable 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.

3.1.3 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.

3.1.4 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.

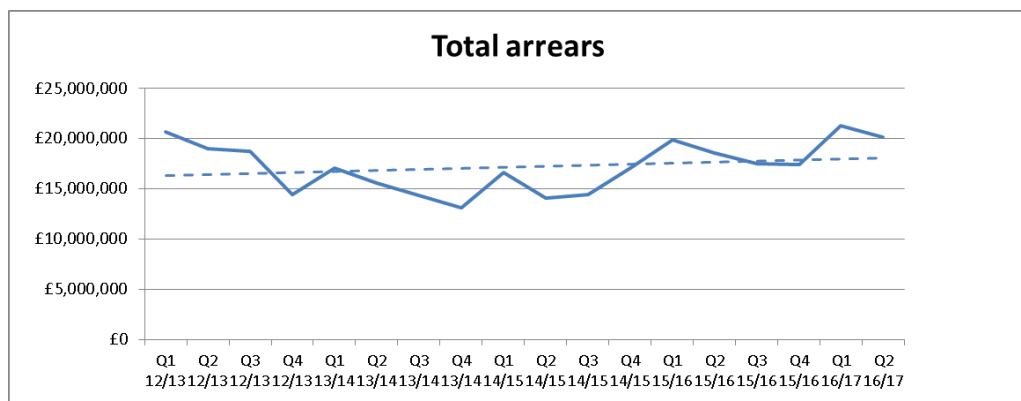
3.1.5 Each service area has a detailed recovery timetable, with definitions of debt type and criteria that recovery is taken against.

3.1.6 The amount of unmanaged debt is a corporate KPI. Currently being no more than 4.5%.

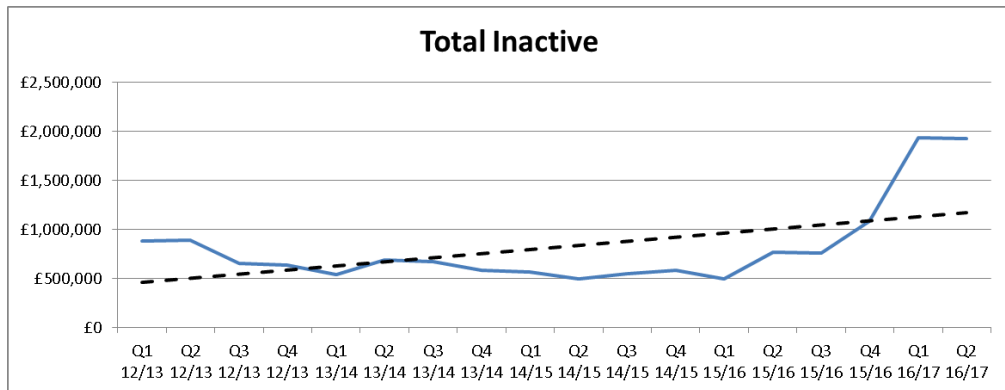
3.1.7 Six-monthly/Quarterly summaries for 2012/13, 2013/14 and 2014/15 can be found at **Appendix A)**

3.1.8 Quarterly summaries for 2015/16 and 2016/17 to date can be found at **Appendix B)**

3.1.9 Overall debt levels as at 30th September 2016

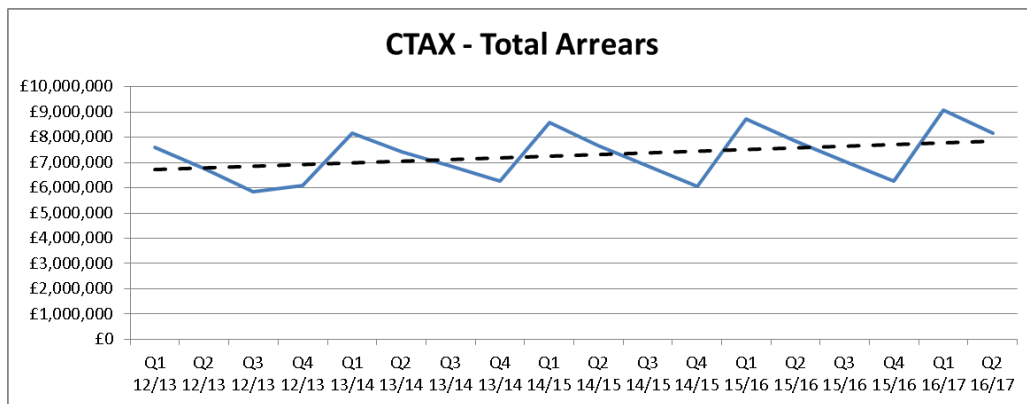


The overall outstanding arrears have increased by £1,592k compared to the same point last year. Please see individual debt types for explanation of increase.

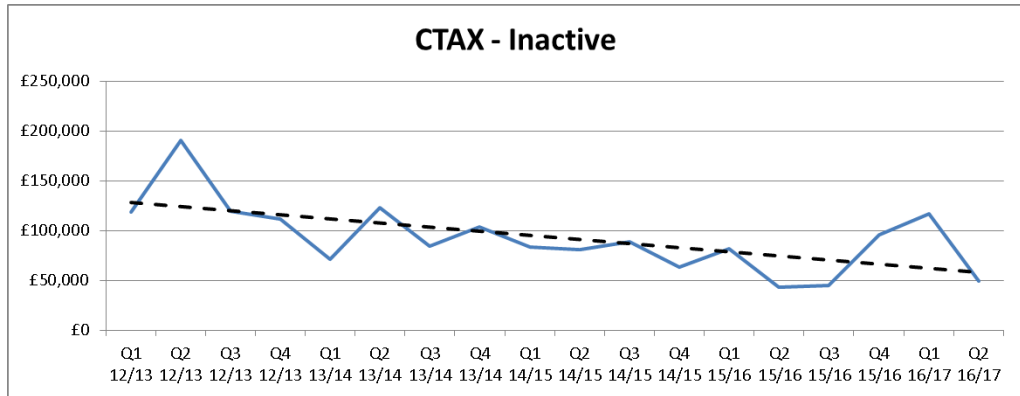


Unmanaged debt is £1,158k more than the same time last year. The majority of unmanaged debt within the Council sits within Asset Management, and is currently standing at £1.4m. The Asset management debt type is the collection and recovery of the commercial rent and any associated insurance, for council land and buildings. This does not include the Council's housing stock.

### 3.1.10 Council Tax as at 30<sup>th</sup> September 2016



The overall outstanding arrears are £310k more than at the same point last year, which is due to an increase in the Council Tax charge in 2016/17 and a reduction in the 2016/17 Council Tax Reduction Scheme.



Unmanaged debt is £6k greater than the same time last year, however the amount of debt collected against arrears is £364k higher during this financial year.

The continued introduction of Welfare Reforms continue to increase the pressure on those liable for Council Tax and on a low income. There has also been a significant rise in the number of attachment of benefits orders.

The table below provides some context around the impact that the welfare reforms are having on both our service users and the service.

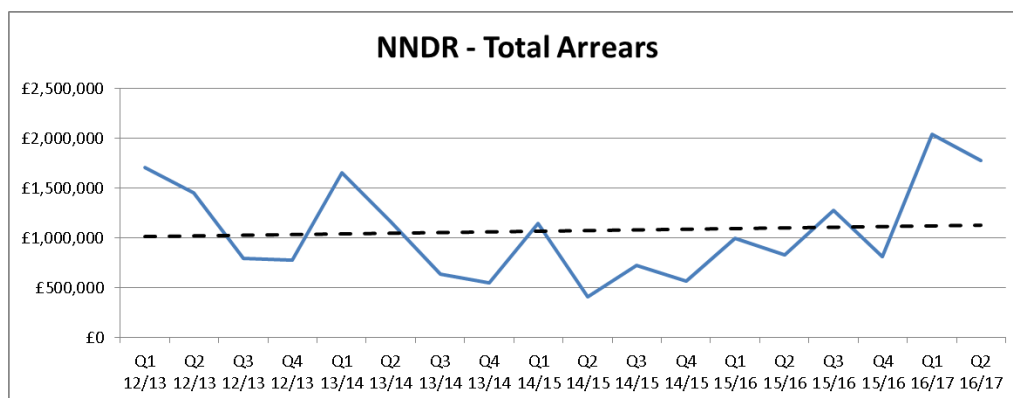
The Council Tax Reduction Scheme (CTRS) is the support provided towards the Council Tax for those customers on a low income.

An Attachment of Benefit (AOB) is a deduction from a debtor's benefit, which can only be made after a liability order has been granted. The current rate is £3.70 per week.

Special Arrangements (SPARs) are non-statutory arrangements made on accounts where a summons has been issued and a customer has agreed to repay the debt over a period of time, based on their personal circumstances.

In-year collection rate	56.39%	30/09/2016	56.75%	30/09/2015
Annual CTRS award	£10.9m	16/17	£11.8m	15/16
Uncollected liability CTRS cases	£2.3m	30/09/2016	£2m	30/9/15 adj
CTRS caseload	15,895	31/08/2016	16,868	30/09/2015
AOB cases	£1,127,566	30/09/2016	£846,954	30/09/2015
Monthly amount collected on AOB	£27.7k	30-Sep-16	£26.8k	30/09/2015
AOB hold	£640,382	30/09/2016	£334,851	30/09/2015
SPARs	£1,991,465	31/08/2016	£1,637,666	30/09/2015
Reminders & Finals issued	35,361	30/09/2016	33,340	30/09/2015
Summons	7,435	30/09/2016	5,898	30/09/2015

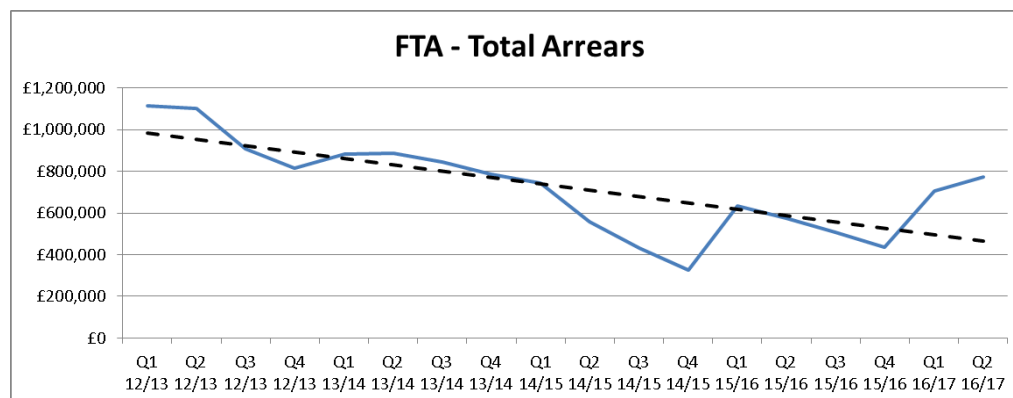
### 3.1.11 Business Rates (NNDR) as at 30<sup>th</sup> September 2016



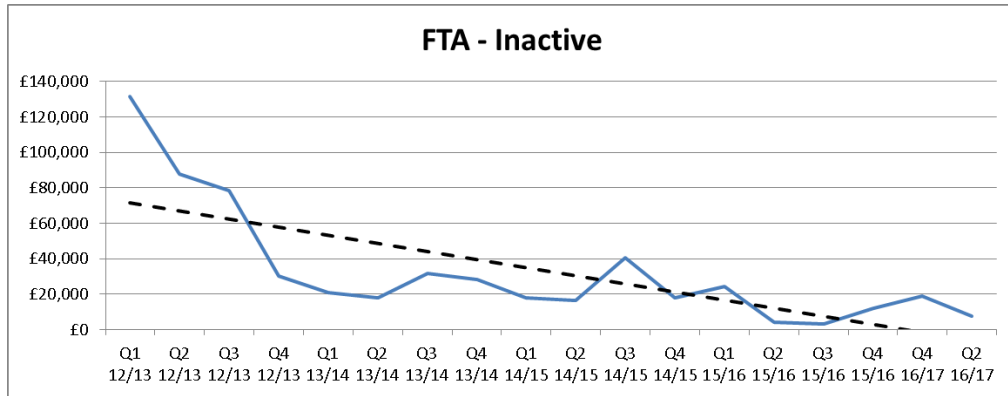
The overall outstanding arrears are £947k more than at the same point last year. This is primarily due to an increase the 15/16 business rates multiplier and one business which had a backdated account. This is expected to be paid by the end of March 2017.

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.

### 3.1.12 Former Tenant Arrears (FTA) as at 30<sup>th</sup> September 2016

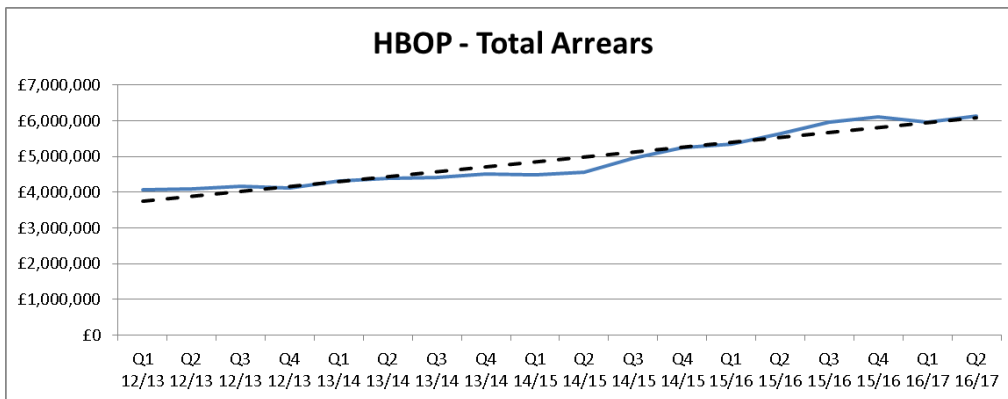


The overall outstanding arrears are £200k more than at the same point last year. This is due to a rise in the number of evictions, absconders and other terminations of tenancy.



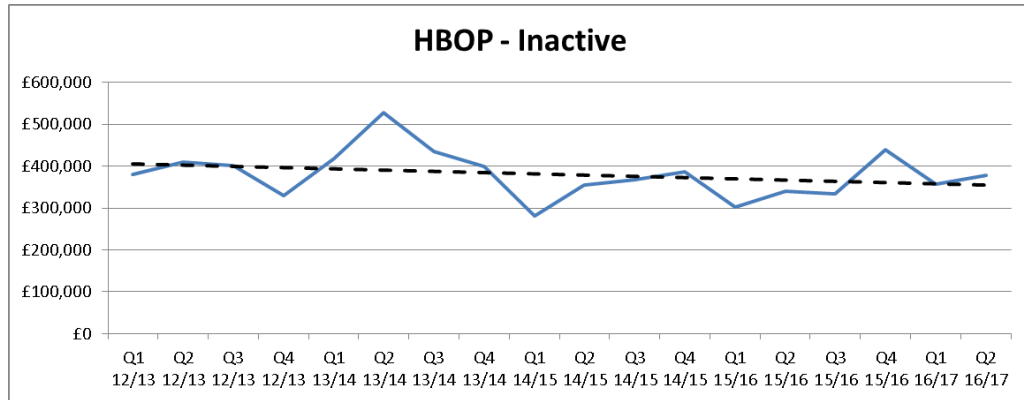
Unmanaged debt is £4k more than the same time last year, and the amount of unmanaged debt continues to remain consistently low.

**3.1.13 Housing Benefit Overpayments Payments (HBOP) as at 30<sup>th</sup> September 2016**



The overall outstanding arrears are £105k more than at the same point last year. This increase is in line with the national trend for overpayments and relates to the Department for Work and Pensions ongoing initiatives to identify overpayments. These two schemes, “Real Time Information” and “Fraud and Error Reduction Incentive Scheme”, are being fully supported in Northampton and the Council receives an incentive payment for the successful identification and reduction of error.

The current performance by our teams has reduced the impact on the Council of these new overpayments. By focusing resource on this debt has the team have supported better outcomes, which can be demonstrated by the reduction in the percentage of unmanaged debt. These debts remain very difficult to collect due to the limited recovery methods available to us, and the economic climate.

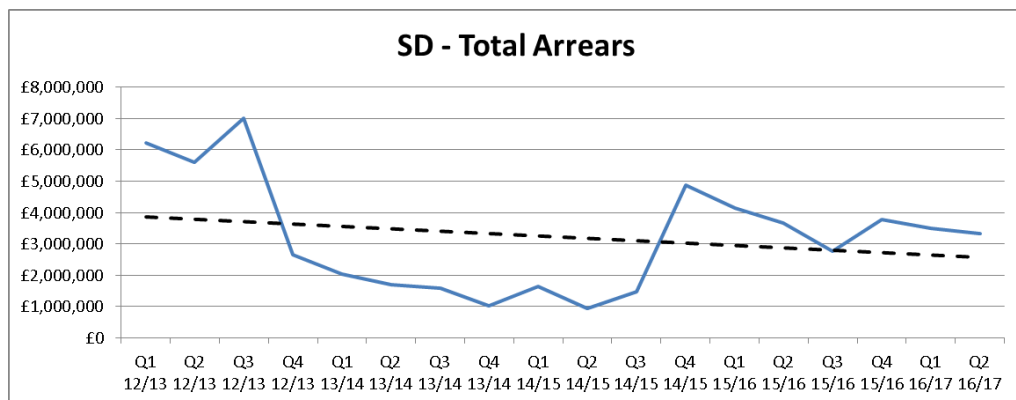


Unmanaged debt is £36k more than the same time last year, but as a proportion of the outstanding balance remained the same over the same period.

The national Welfare Reform measures underway are increasing the pressure on individual debtors and their ability to pay debts. Housing benefit overpayments are deemed as a lower priority, as per the Corporate Debt policy, when compared to other debt types, and arrangements tend to be small amounts over a long period of time.

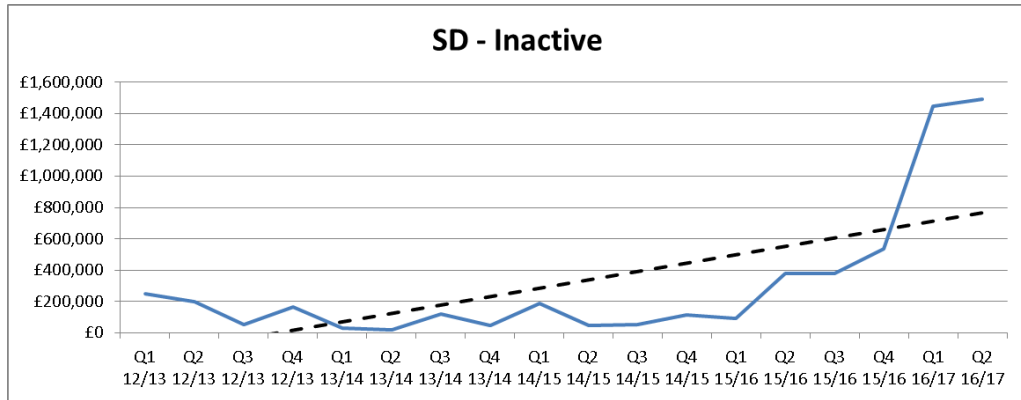
We have also seen an increase in direct debit payers for this type of debt, but once again small amounts over a longer period of time.

### 3.1.14 Sundry Debts (SD) as at 30<sup>th</sup> September 2016



The overall outstanding arrears are £347k more than at the same point last year.





The unmanaged debt is £1,112k more than the same time last year. The majority of this is controlled within individual service areas in the Council. The unmanaged debt controlled by the Revenues and Benefits Service is approximately £10k.

To allow some context around where the unmanaged debt is sitting within the council is detailed below.

Summary Managed Debt Report as a % of No. of Items as at 30/09/2016									
	Level 4 Analysis (Number )			Level 4 Analysis ( £ )			Level 4 Analysis ( % )		
	Managed	Unmanaged	Total	Managed	Unmanaged	Total	Managed	Unmanaged	Total
Asset Management	3	191	194	846	1391360	1392206	0.06%	99.94%	93.95%
Call Care	5	31	36	732	2966	3698	19.81%	80.19%	0.25%
Car Parks	0	20	20	0	51086	51086	0.00%	100.00%	3.45%
Environmental Health	0	13	13	0	2995	2995	0.00%	100.00%	0.20%
Exchequer Section	0	7	7	0	16249	16249	0.00%	100.00%	1.10%
Insurance	0	9	9	0	2855	2855	0.00%	100.00%	0.19%
Licensing	2	36	38	90	12549	12639	0.71%	99.29%	0.85%
Market Office	0	2	2	0	131	131	0.00%	100.00%	0.01%
	10	309	319	1668	1480191	1481859	0.11%	99.89%	100.00%

Level 4 debt is debt that has received an invoice, reminder and a second reminder/final notice and the later stages of the recovery process is managed within the individual service areas.

A significant part (£1,080k including VAT) of the unmanaged debt in the asset management debt type relates to County Developments (Northampton) Ltd, which is currently part of the Council's on-going discussions with the Liquidators.

### 3.2 Issues

3.2.1 The managed debt analysis and commentary to 30 September are contained within this report.

### 3.3 Choices (Options)

3.3.1 None

## **4. Implications (including financial implications)**

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### **4.1 Policy**

4.1.1 There are no specific policy implications arising from this report.

### **4.2 Resources and Risk**

4.2.1 Ongoing monitoring of the Council's debt position enables early intervention and appropriate remedial action, thus mitigating risks to the Council's financial position and to its reputation.

### **4.3 Legal**

4.3.1 There are no specific legal implications arising from this report.

### **4.4 Equality**

4.4.1 There are no specific equalities implications arising from this report.

### **4.5 Consultees (Internal and External)**

4.5.1 None at this stage.

### **4.6 Other Implications**

4.6.1 Regular reporting of the Council's financial position helps to ensure the proper stewardship of the Council's resources. Active financial management contributes to the delivery of value for money services, enabling public money to be used to maximum benefit.

## **5. Background Papers**

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5.1.1 Not applicable

**Ian Tyrer, Revenues Manager, Extension 7451**

Appendix A								
YEAR on YEAR PERFORMANCE	2012/13		2013/14		2014/15			
	SEP	MAR	SEP	MAR	JUN	SEP	DEC	MAR
<b>TOTAL ARREARS</b>	<b>18,990,764</b>	<b>14,448,119</b>	<b>15,552,879</b>	<b>13,133,970</b>	<b>18,208,120</b>	<b>14,124,390</b>	<b>14,440,723</b>	<b>17,079,190</b>
Total Awaiting Action	889,537	635,627	686,348	578,997	567,258	499,008	550,951	580,064
Managed Debt	18,101,227	13,812,492	14,866,531	14,052,291	17,640,862	13,625,382	13,889,772	16,499,126
% unmanaged debt [PI]	<b>4.68%</b>	<b>4.40%</b>	<b>4.41%</b>	<b>4.41%</b>	<b>3.12%</b>	<b>3.53%</b>	<b>3.82%</b>	<b>3.40%</b>
<b>CTAX</b>	<b>6,748,461</b>	<b>6,090,189</b>	<b>7,430,390</b>	<b>6,281,511</b>	<b>8,597,465</b>	<b>7,664,327</b>	<b>6,851,511</b>	<b>6,053,552</b>
unmanaged debt	190,988	111,528	123,521	103,752	83,329.16	81,410	89,457	63,263
managed debt	6,557,474	5,978,660	7,306,869	6,177,759	8,514,136	7,582,917	6,762,054	5,990,289
unmanaged debt	<b>2.83%</b>	<b>1.83%</b>	<b>1.66%</b>	<b>1.65%</b>	<b>0.97%</b>	<b>1.06%</b>	<b>1.31%</b>	<b>1.05%</b>
<b>NNDR</b>	<b>1,454,169</b>	<b>776,782</b>	<b>1,162,504</b>	<b>543,491</b>	<b>1,148,540</b>	<b>407,858</b>	<b>721,649</b>	<b>568,644</b>
unmanaged debt	0	0	0	0	0	0	0	0
managed debt	1,454,169	776,782	1,162,504	543,491	1,148,540	407,858	721,649	568,644
unmanaged debt	<b>0.00%</b>	<b>0.00%</b>	<b>0.00%</b>	<b>0.00%</b>	<b>0.00%</b>	<b>0.00%</b>	<b>0.00%</b>	<b>0.00%</b>
<b>FTA</b>	<b>1,101,424</b>	<b>814,503</b>	<b>886,670</b>	<b>784,750</b>	<b>742,327</b>	<b>557,708</b>	<b>429,510</b>	<b>328,049</b>
unmanaged debt	87,568	30,016	17,649	28,324	18,007	16,431	40,378	17,761
managed debt	1,013,856	784,487	869,021	756,426	724,320	541,277	389,132	310,288
unmanaged debt	<b>7.95%</b>	<b>3.69%</b>	<b>1.99%</b>	<b>3.61%</b>	<b>2.43%</b>	<b>2.95%</b>	<b>9.40%</b>	<b>5.41%</b>
<b>HBOP</b>	<b>4,090,115</b>	<b>4,122,698</b>	<b>4,381,953</b>	<b>4,515,411</b>	<b>4,489,715</b>	<b>4,555,039</b>	<b>4,960,760</b>	<b>5,243,926</b>
unmanaged debt	409,456	328,701	528,023	399,861	280,033	355,323.49	366,800	386,239
managed debt	3,680,659	3,793,997	3,853,930	4,115,550	4,209,682	4,199,716	4,593,960	4,857,687
unmanaged debt	<b>10.01%</b>	<b>7.97%</b>	<b>12.05%</b>	<b>8.86%</b>	<b>6.24%</b>	<b>7.80%</b>	<b>7.39%</b>	<b>7.37%</b>
<b>Sundry Debt</b>	<b>5,596,594</b>	<b>2,643,948</b>	<b>1,691,362</b>	<b>1,008,807</b>	<b>1,645,384</b>	<b>939,457.37</b>	<b>1,477,293</b>	<b>4,885,020</b>
unmanaged debt	201,526	165,382	17,155	47,060	185,889	45,844.00	54,316	112,802
managed debt	5,395,068	2,478,566	1,674,207	961,747	1,459,495	893,613	1,422,977	4,772,218
unmanaged debt	<b>3.60%</b>	<b>6.26%</b>	<b>1.01%</b>	<b>4.66%</b>	<b>11.30%</b>	<b>4.88%</b>	<b>3.68%</b>	<b>2.31%</b>

Appendix B								
YEAR on YEAR PERFORMANCE	2015/16				2016/17			
	JUN	SEP	DEC	MAR	JUN	SEP	DEC	MAR
<b>TOTAL ARREARS</b>	<b>19,855,282</b>	<b>22,074,394</b>	<b>17,509,123</b>	<b>17,405,921</b>	<b>21,260,224</b>	<b>20,164,989</b>		
Total Awaiting Action	498,052	552,182	761,254	1,084,977	1,939,333	1,924,839		
Managed Debt	19,357,231	21,522,212	16,747,869	16,320,944	19,320,891	18,240,150		
% unmanaged debt [PI]	<b>2.51%</b>	<b>2.50%</b>	<b>4.35%</b>	<b>6.23%</b>	<b>9.12%</b>	<b>9.55%</b>		
<b>CTAX</b>	<b>8,739,169</b>	<b>7,857,713</b>	<b>7,021,084</b>	<b>6,280,780</b>	<b>9,060,403</b>	<b>8,167,738</b>		
unmanaged debt	81,903	43,391	44,952	96,208	117,343	49,717		
managed debt	8,657,265	7,814,322	6,976,133	6,184,572	8,943,060	8,118,021		
unmanaged debt	<b>0.94%</b>	<b>0.55%</b>	<b>0.64%</b>	<b>1.53%</b>	<b>1.30%</b>	<b>0.61%</b>		
<b>NNDR</b>	<b>991,831</b>	<b>830,958</b>	<b>1,275,782</b>	<b>807,217</b>	<b>2,043,502</b>	<b>1,777,515</b>		
unmanaged debt	0	0	0	0	0	0		
managed debt	991,831	830,958	1,275,782	807,217	2,043,502	1,777,515		
unmanaged debt	<b>0.00%</b>	<b>0.00%</b>	<b>0.00%</b>	<b>0.00%</b>	<b>0.00%</b>	<b>0.00%</b>		
<b>FTA</b>	<b>635,801</b>	<b>573,762</b>	<b>507,991</b>	<b>435,545</b>	<b>707,552</b>	<b>773,435</b>		
unmanaged debt	24,097	4,015	3,245	11,925	18,740	7,560		
managed debt	611,704	569,747	504,746	423,620	688,812	765,875		
unmanaged debt	<b>3.79%</b>	<b>0.70%</b>	<b>0.64%</b>	<b>2.74%</b>	<b>2.65%</b>	<b>0.98%</b>		
<b>HBOP</b>	<b>5,356,015</b>	<b>5,645,801</b>	<b>5,950,555</b>	<b>6,094,450</b>	<b>5,966,582</b>	<b>6,127,991</b>		
unmanaged debt	302,154	340,936	334,247	439,155	356,826	377,010		
managed debt	5,053,861	5,304,865	5,616,308	5,616,308	5,609,756	5,750,982		
unmanaged debt	<b>5.64%</b>	<b>6.04%</b>	<b>5.62%</b>	<b>7.21%</b>	<b>5.98%</b>	<b>6.15%</b>		
<b>Sundry Debt</b>	<b>4,132,467</b>	<b>7,166,160</b>	<b>2,753,711</b>	<b>3,787,929</b>	<b>3,482,185</b>	<b>3,318,311</b>		
unmanaged debt	89,897	163,839	378,810	537,689	1,446,423	1,490,553		
managed debt	4,042,570	7,002,321	2,374,900	3,250,240	2,035,762	1,827,758		
unmanaged debt	<b>2.18%</b>	<b>2.29%</b>	<b>13.76%</b>	<b>14.19%</b>	<b>41.54%</b>	<b>44.92%</b>		