

Appendices: A
Half-yearly
performance from
2012/13



NORTHAMPTON
BOROUGH COUNCIL

AUDIT COMMITTEE REPORT

| | |
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| Report Title | Corporate debt – Progress and Age debt analysis |
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AGENDA STATUS: PUBLIC

| | |
|--------------------------------------|-------------------------------|
| Audit Committee Meeting Date: | 15 th January 2018 |
| Policy Document: | No |
| Directorate: | Finance Directorate LGSS |
| Accountable Cabinet Member: | Cllr Brandon Eldred |

1. Purpose

- 1.1 To update Committee on the position regarding the Council's outstanding debts as at 30th November 2017.
- 1.2 The detailed focus of the report is primarily on Council Tax as this is the area that has been receiving the most scrutiny recently.

2. Recommendations

- 2.1 To note the latest position in relation to the Council's outstanding debts as at 30th November 2017
- 2.2 To consider whether Committee requires any additional information in order to fulfil its governance role.

3. Issues and Choices

3.1 Report Background

- 2.1 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

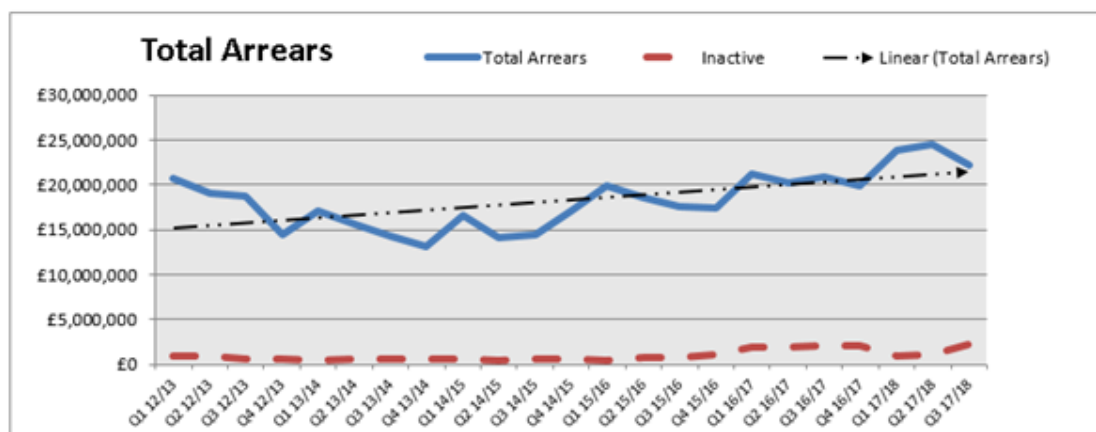
of one status and is in the process of being moved to another stage. This summary also provides a view of the current status of debt.

- 2.2 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.

- 2.3 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 go through a legal process etc.
- 2.4 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.
- 2.5 Each service area has a detailed recovery timetable, with definitions of debt type and criteria that recovery is taken against.
- 2.6 The amount of unmanaged debt is a corporate KPI. Currently being no more than 4.5% of the total amount of outstanding arrears.
- 2.7 Although the KPI is measured on a monthly basis for internal performance purposes, it is reported quarterly, and the graphs used below provide a pictorial illustration of performance since the 1st April 2012.
- 2.8 Half-yearly performance for the same period, demonstrated by value of managed, unmanaged and total arrears outstanding can be found in Appendix A.

2.9 Overall debt levels as at 30th November 2017



2.10 The overall outstanding arrears have increased by £273k compared to the same point last year. Please see individual debt types for an explanation of the increase.

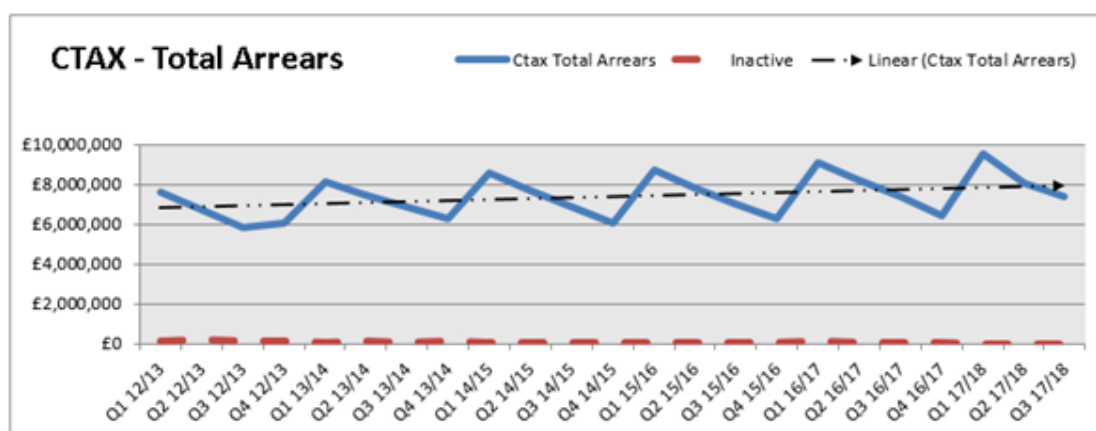
2.10.1 The majority of unmanaged debt within the Council sits within Asset management and is currently standing at £392k.

2.10.2 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.

2.10.3 A meeting has been held with the Asset Management team around how to resource and support the service moving forward.

2.10.4 Unmanaged Licensing debt which sat at £23k, has now been reduced to £22k.

2.11 Council Tax as at 30th November 2017



2.12 The overall outstanding arrears are £333k less than at the same point last year.

- 2.13 Unmanaged debt is £16k less than the same time last year although the amount of debt collected against arrears is £813k lower during this financial year thus far.
- 2.14 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.
- 2.15 The current amount of unmanaged (inactive debt) is 0.23%, which is an improvement on last month and better than this time last year and seen as good performance and maximising the opportunity to collect any outstanding arrears.
- 2.16 Whilst there are pressures on in-year collection, the table shows that the Council is making efforts to collect monies over the longer term. This is more often than not, arrangements of smaller amounts over the longer term. This is the most proven way of helping our customers make sustainable repayment plans and equally allowing the balancing of their personal budgets.
- 2.17 **Comparison between the 30th November 2017 and the 30th November 2016**
- 2.18 The continued introduction of Welfare Reforms continues 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.
- 2.19 The table below 2.23 provides some context around the impact that the welfare reforms are having on both our service users and the service.
- 2.20 The Council Tax Reduction Scheme (CTRS) is the support provided towards the Council Tax for those customers on a low income.
- 2.21 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.
- 2.22 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.
- 2.23 The table below highlights some of the key impacts, predominately as a result of the introduction of welfare reforms

| | | | | |
|----------------------------------|--------|-----------|--------|------------|
| In-year collection rate | 75.20% | 30-Nov-17 | 74.80% | 30-Nov-16 |
| Annual CTRS award | £10.5m | 2017/18 | £11.7m | 2016/17 |
| Uncollected liability CTRS cases | £1.9m | 30-Nov-17 | £1.7m | 30Nov16adj |
| CTRS caseload | 15,265 | 30-Nov-17 | 15,709 | 30-Nov-16 |
| AOB | £1.2m | 30-Nov-17 | £1.1m | 30-Nov-16 |

| | | | | |
|---------------------------|--------|-----------|--------|-----------|
| Monthly amount collected | £30k | 30-Nov-17 | £31k | 30-Nov-16 |
| AOB hold | 853k | 30-Nov-17 | 620k | 30-Nov-16 |
| SPARs | £2.0m | 30-Nov-17 | £1.9m | 30-Nov-16 |
| Reminders & Finals issued | 43,621 | 30-Nov-17 | 42,682 | 30-Nov-16 |
| Summons | 8,104 | 30-Nov-17 | 9,052 | 30-Nov-16 |

- 2.24 The Council has implemented cut of 6% in the amount of CTRS awarded in 2017/18. Although the overall collection rate is up from 74.8% to 75.2%, the cases where CTRS is awarded the collection rate has dropped from 61.63% in 16/17 to 61.51%, in comparison to the end of November
- 2.25 The Council continues to be collecting debt from people, who in previous years, were used to receiving more financial support for their Council Tax.
- 2.26 Whilst the annual amount of CTRS awarded has reduced by 4.5%, the amount of uncollected liability on the same cases has increased by £219k.
- 2.27 The CTRS caseload falling by 2.83% means that the uncollected liability is also being borne by fewer customers.
- 2.28 The amount of debt subject to an attachment of benefit is £50k higher than last year, and the amount of debt being held awaiting an existing attachment to be paid off, £232k higher. A customer can only have one attachment for council tax in operation at any given time. Although there has been an increase in the amount of debt at the DWP, the monthly amounts being paid direct from the DWP has decreased by just under £1,000 per month, with debt “backing-up” for the same customers.
- 2.29 The issue of Reminders and Final Notices has increased by 2.2% as compared with this time last year, but the issue of summonses has decreased by 10.47% [equating to around 948 summonses]. This owing partly to sending out Final notices earlier than previously and partly to the increase in customers unable to pay because of CTR changes

2.30 Collection Rates for CTRS cases

2.31 The table below highlights the comparison between the claimant types between the 30th November 2017 and the 30th November 2016.

| November | | 2017/18 | | COLLECTION RATE | UNCOLLECTED |
|---|---------------|---------------------|---------------------|-----------------|--------------|
| CTRS SCHEME | Caseloads | LIABILITY | RECEIPTS | | |
| | | £ | £ | | £ |
| Vulnerable households are claimants who are either lone parents or couples with at least one dependent under 5 years old. | | 561,306.75 | 287,716.48 | 51.26% | 273,590.27 |
| Vulnerable are claimants on NBCs local scheme or modified scheme e.g. War widows and disablement pension cases | | 457.63 | 391.10 | 85.46% | 66.53 |
| Pensionable cases are claimants who are of pensionable age and are exempt from the CTRS reduction. | | 886,008.15 | 757,385.83 | 85.48% | 128,622.32 |
| Working age employed are claimants who are either single people or couples who are in paid employment. | | 1,410,862.65 | 853,481.00 | 60.49% | 557,381.65 |
| Working age other are claimants who are either single people or couples not in paid employment, and in receipt of DWP benefits. | | 2,285,514.25 | 1,265,093.73 | 55.35% | 1,020,420.52 |
| TOTALS | 15,362 | 5,144,149.43 | 3,164,068.14 | 61.51% | |
| November | | 2016/17 | | COLLECTION RATE | UNCOLLECTED |
| CTRS SCHEME | | LIABILITY | RECEIPTS | | |
| | | £ | £ | | £ |
| Vulnerable households | | 475,927.57 | 232,641.40 | 48.88% | 243,286.17 |
| Vulnerable | | 317.31 | 416.11 | 131.14% | -98.80 |
| Pensionable | | 902,184.79 | 775,657.66 | 85.98% | 126,527.13 |
| Working age employed | | 1,159,017.39 | 687,937.79 | 59.36% | 471,079.60 |
| Working age others | | 1,914,556.17 | 1,047,242.34 | 54.70% | 867,313.83 |
| TOTALS | 15,857 | 4,452,003.23 | 2,743,895.30 | 61.63% | |

2.32 The overall collection rate for Working-age claimants is 56.5% for 2017/18, This is a reduction in collection rate, as compared to the increase reported in 2.23 above, and suggests that not only is this customer group finding it more difficult to pay, but disproportionately also.

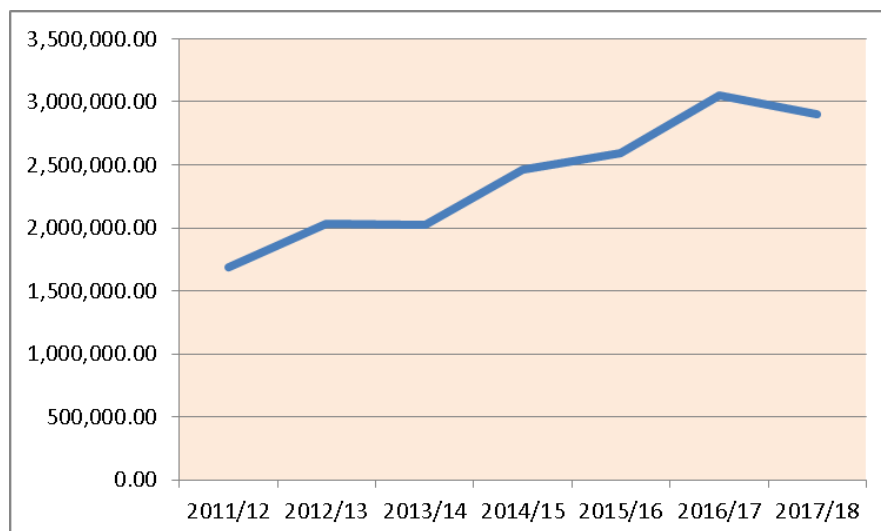
2.33 For those customers that cannot, or won't, make an arrangement, they will be issued with a summons. Although there is not much attendance at court, the Council will still make an arrangement at this stage.

2.34 There has been an increase in the number of summons issued in the first two months of the financial year.

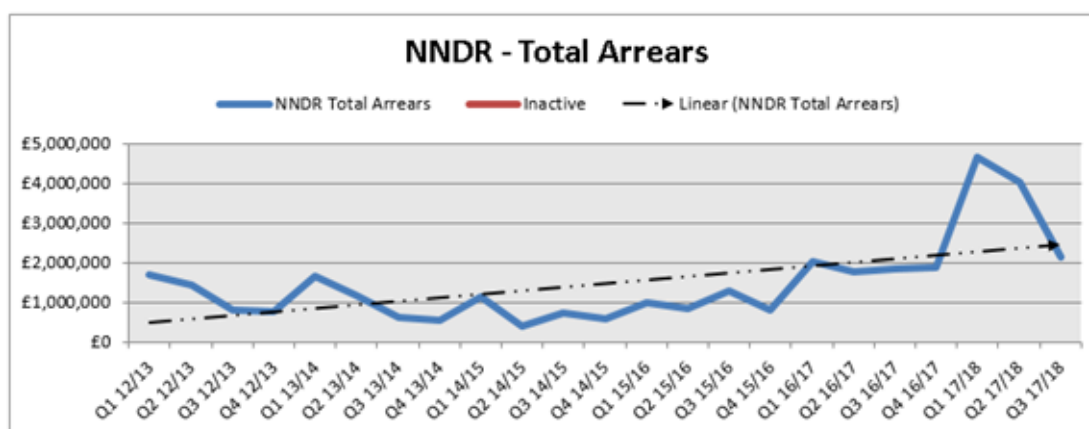
- 2.35 Where a Liability Order is obtained, the Council's preferred option is to serve an attachment of benefit, and the use of this method of repayment is on the increase compared to previous years. The Council currently collects £29k per month through AOB, slightly down on last year.
- 2.36 It should be noted that the maximum amount of money that can be deducted is £3.70 per week, regardless of how much a customer owes, and the recovery of council tax is not a priority debt for deduction by the DWP. The maximum a customer in these circumstances can repay is £192.40 per year. In 2017/18, an unparished band A property with two adults would be liable for £1,060.25, reducing by maximum CTR would leave the customer liable to pay £371.10. The issue of a summons would add a further £82.40, leaving a customer with an annual charge of nearly £261 more than the Council is able to recover.
- 2.37 There is also a process to support customers whose debt is passed to Enforcement Agents, similar to that provided by the Council.
- 2.38 Where customers are making realistic arrangements to pay these are often small amounts, over a long period of time, regardless of what point of the recovery cycle a customer has reached. Customers have struggled to maintain even these small value arrangements and this increases the cost to the Council to administer.

2.39 Historic council tax arrears collection

The table below demonstrates the increase in arrears collected in each of the last 6 financial years. As mentioned above the amount of arrears collected so far this year is lower than at the same and the end of year figure is an estimate of the final out-turn position.



2.40 Business Rates (NNDR) as at 30th November 2017



2.41 The overall outstanding arrears are £362k more than at the same point last year, but £658k down on last month. The table below 2.43 details accounts that are currently being focused on, these are a combination of “stubborn” arrears and liquidation/administration cases. This is a potential result of the anti-avoidance and evasion work the team have undertaken last financial year, which has resulted in the sizeable increase in collectable debit. The team are currently analyzing the cases to understand why this has occurred and to take remedial action.

2.42 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.

2.43 The team continue to work on the high value arrears case. The highest twenty cases are detailed below.

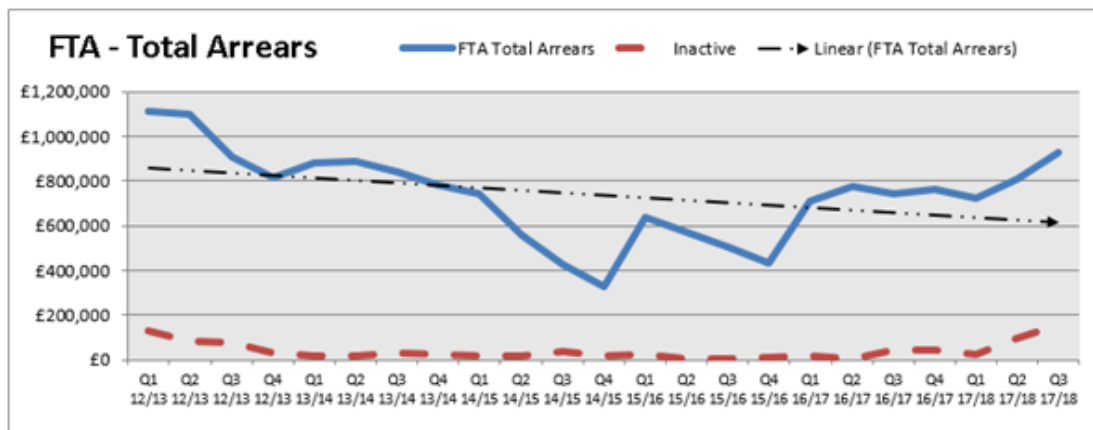
| Name | Outstanding Bailance | Comments |
|---------------------------------|----------------------|---|
| CHILLI VILLAGE LTD | 64,686.02 | Under arrangement |
| BOOST 4 BUSINESS LIMITED | 50,330.28 | With Enforcement Agents |
| SOLE TRADER | 42,240.82 | Reminder issued |
| SOLE TRADER | 36,987.61 | Possible Committal |
| MANFORD FASHIONS LIMITED | 35,502.74 | With Enforcement Agents |
| SOLE TRADER | 33,260.00 | Under arrangement and appeal against RV with V/O |
| SOLE TRADER | 29,675.93 | With Enforcement Agents |
| SOLE TRADER | 27,078.09 | Passed for w/off |
| SOLE TRADER | 26,294.54 | Possible Committal |
| SOLE TRADER | 25,656.02 | With Enforcement Agents |
| NORTHAMPTON SHOPPING CENTRE LTD | 23,537.21 | Recent Bills sent |
| SOLE TRADER | 20,182.08 | Charitable Relief application to be submitted |
| CANTO LEARNING LIMITED | 18,165.08 | Charitable Relief application awaiting action |
| APOGEE LONDON FOOTWEAR LTD | 18,000.00 | Under arrangement but not paying so due to go to EA |
| LS RETAIL WAREHOUSE LTD | 17,524.36 | Reminder issued on 14.11.17 |
| FINDLAY MANAGEMENT LIMITED | 17,035.74 | Reminder issued on 13.12.17 |
| LONG O'DONNELL ASSOCIATES | 15,672.00 | Under arrangement |
| SOLE TRADER | 15,268.40 | With Enforcement Agents |
| SOLE TRADER | 14,742.00 | With Enforcement Agents |
| SOLE TRADER | 14,738.42 | At L/order and due to be sent to EA |

2.43.1 The activity current being taken on these accounts has started to be reflected in the reduction of the outstanding arrears and this trend will continue over the next few months.

2.44 There is also a number of accounts which are below the values identified above that are a result of pro-active anti-avoidance and evasion, which the team undertook last financial year. This has resulted in a sizeable increase in collectable debit, however this is harder to enforce and to collect, but should encourage landlords of empty properties to pay, or to find suitable tenants.

2.45 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.

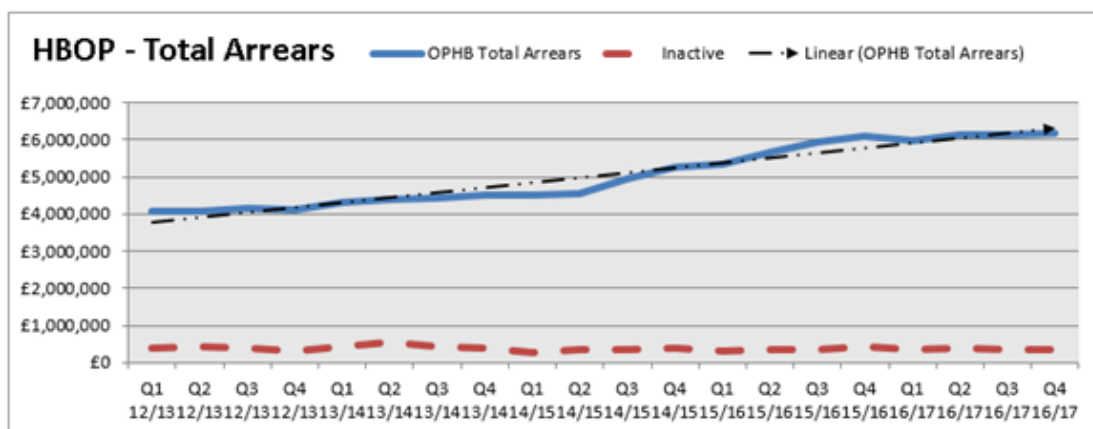
2.46 Former Tenant Arrears as at 30th November 2017



2.47 The overall outstanding arrears are £216k more than at the same point last year.

2.48 Unmanaged debt is £143k more than the same time last year and the amount of unmanaged debt continues to remain consistently low.

2.49 Housing Benefit Overpayments Payments as at 30th November 2017



2.50 The overall outstanding arrears are £486k 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 “Right Benefit Indicator” (the replacement scheme for the “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.

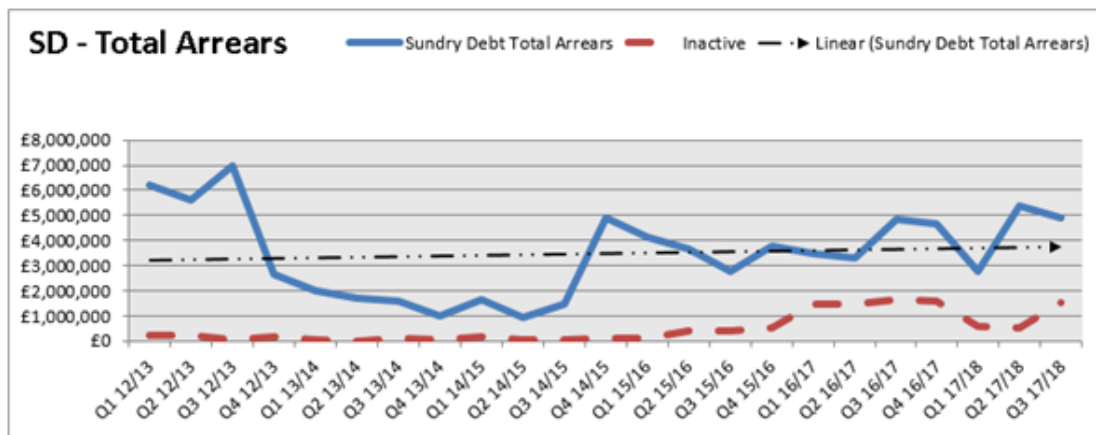
2.51 The current performance by our teams has reduced the impact on the Council of these new overpayments. By focusing resource on this debt has the team have supported better outcomes, which can be demonstrated by the reduction in the percentage of unmanaged debt. These debts remain very difficult to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

2.52 Unmanaged debt is £209k more than the same time last year.

2.53 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.

2.54 There has also been an increase in direct debit payers for this type of debt, but once again small amounts over a longer period of time.

2.55 Sundry Debts (SD) as at 30th November 2017



2.56 The overall outstanding arrears are £283k more than at the same point last year. This is primarily due to two s106 invoices, totalling £1.94m, which have been outstanding since July17, of which one account is likely to be cancelled and re-issued for a lesser amount.

2.57 The unmanaged debt is £86k less 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 £17k.

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

| | Level 4 Analysis (£) | | | Level 4 Analysis (%) | | |
|----------------------|------------------------|----------------|-------------|------------------------|----------------|--------|
| | MANAGED DEBT | UNMANAGED DEBT | | Managed Debt | Unmanaged Debt | Total |
| | rest_amount | rest_amount | | | | |
| Asset Management | £7,265.92 | £625,911.24 | £633,177.16 | 1.15% | 98.85% | 88.73% |
| Call Care | £337.98 | £7,582.44 | £7,920.42 | 4.27% | 95.73% | 1.11% |
| Car Parks | £0.00 | £20,943.44 | £20,943.44 | 0.00% | 100.00% | 2.93% |
| Environmental Health | £0.00 | £3,986.00 | £3,986.00 | 0.00% | 100.00% | 0.56% |
| Exchequer Section | £16,067.72 | £0.00 | £16,067.72 | 100.00% | 0.00% | 2.25% |
| Insurance | £0.00 | £3,921.36 | £3,921.36 | 0.00% | 100.00% | 0.55% |
| Licensing | £1,104.50 | £23,523.69 | £24,628.19 | 4.48% | 95.52% | 3.45% |
| Market Office | £0.00 | £2,947.69 | £2,947.69 | 0.00% | 100.00% | 0.41% |

2.59 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. Commentary on debt at this stage has been covered in 2.11 above.

2.60 The unmanaged debt on the remaining recovery stages is £136k less than the same time last year. The majority of unmanaged debt within the Council sits within Asset Management, currently standing at £626k. 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 Issues

3.2.1 The managed debt analysis and commentary to 30th November 2017 contained within this report.

3.3 Choices (Options)

3.3.1 None

4. Implications (including financial implications)

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

5.1.1 Not applicable

Ian Tyrer, Revenues Manager, Extension 7451

| Appendix A | Half-yearly performance from 2012/13 to present by value of managed, unmanaged and total arrears | | | | | | | | | |
|--------------------------|--|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| YEAR on YEAR PERFORMANCE | 2012/13 | | 2013/14 | | 2014/15 | | 2015/16 | | 2016/17 | |
| | SEP | MAR | SEP | MAR | SEP | MAR | SEP | MAR | SEP | JAN |
| TOTAL ARREARS | 18,990,764 | 14,448,119 | 15,552,879 | 13,133,970 | 14,124,390 | 17,079,190 | 22,074,394 | 17,405,921 | 20,164,989 | 19,229,552 |
| Total Awaiting Action | 889,537 | 635,627 | 686,348 | 578,997 | 499,008 | 580,064 | 552,182 | 1,084,977 | 1,924,839 | 2,007,073 |
| Managed Debt | 18,101,227 | 13,812,492 | 14,866,531 | 14,052,291 | 13,625,382 | 16,499,126 | 21,522,212 | 16,320,944 | 18,240,150 | 17,222,480 |
| % unmanaged debt [PI] | 4.68% | 4.40% | 4.41% | 4.41% | 3.53% | 3.40% | 2.50% | 6.23% | 9.55% | 10.44% |
| CTAX | 6,748,461 | 6,090,189 | 7,430,390 | 6,281,511 | 7,664,327 | 6,053,552 | 7,857,713 | 6,280,780 | 8,167,738 | 7,154,718 |
| unmanaged debt | 190,988 | 111,528 | 123,521 | 103,752 | 81,410 | 63,263 | 43,391 | 96,208 | 49,717 | 27,670 |
| managed debt | 6,557,474 | 5,978,660 | 7,306,869 | 6,177,759 | 7,582,917 | 5,990,289 | 7,814,322 | 6,184,572 | 8,118,021 | 7,127,048 |
| unmanaged debt | 2.83% | 1.83% | 1.66% | 1.65% | 1.06% | 1.05% | 0.55% | 1.53% | 0.61% | 0.39% |
| NNDR | 1,454,169 | 776,782 | 1,162,504 | 543,491 | 407,858 | 568,644 | 830,958 | 807,217 | 1,777,515 | 1,847,464 |
| unmanaged debt | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| managed debt | 1,454,169 | 776,782 | 1,162,504 | 543,491 | 407,858 | 568,644 | 830,958 | 807,217 | 1,777,515 | 1,847,464 |
| unmanaged debt | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| FTA | 1,101,424 | 814,503 | 886,670 | 784,750 | 557,708 | 328,049 | 573,762 | 435,545 | 773,435 | 716,744 |
| unmanaged debt | 87,568 | 30,016 | 17,649 | 28,324 | 16,431 | 17,761 | 4,015 | 11,925 | 7,560 | 27,257 |
| managed debt | 1,013,856 | 784,487 | 869,021 | 756,426 | 541,277 | 310,288 | 569,747 | 423,620 | 765,875 | 689,487 |
| unmanaged debt | 7.95% | 3.69% | 1.99% | 3.61% | 2.95% | 5.41% | 0.70% | 2.74% | 0.98% | 3.80% |
| HBOP | 4,090,115 | 4,122,698 | 4,381,953 | 4,515,411 | 4,555,039 | 5,243,926 | 5,645,801 | 6,094,450 | 6,127,991 | 6,107,644 |
| unmanaged debt | 409,456 | 328,701 | 528,023 | 399,861 | 355,323.49 | 386,239 | 340,936 | 439,155 | 377,010 | 412,983 |
| managed debt | 3,680,659 | 3,793,997 | 3,853,930 | 4,115,550 | 4,199,716 | 4,857,687 | 5,304,865 | 5,655,295 | 5,750,982 | 5,694,661 |
| unmanaged debt | 10.01% | 7.97% | 12.05% | 8.86% | 7.80% | 7.37% | 6.04% | 7.21% | 6.15% | 6.76% |
| Sundry Debt | 5,596,594 | 2,643,948 | 1,691,362 | 1,008,807 | 939,457.37 | 4,885,020 | 7,166,160 | 3,787,929 | 3,318,311 | 3,402,982 |
| unmanaged debt | 201,526 | 165,382 | 17,155 | 47,060 | 45,844.00 | 112,802 | 163,839 | 537,689 | 1,490,553 | 1,539,163 |
| managed debt | 5,395,068 | 2,478,566 | 1,674,207 | 961,747 | 893,613 | 4,772,218 | 7,002,321 | 3,250,240 | 1,827,758 | 1,863,820 |
| unmanaged debt | 3.60% | 6.26% | 1.01% | 4.66% | 4.88% | 2.31% | 2.29% | 14.19% | 44.92% | 45.23% |