

28<sup>th</sup> JUNE 2016**REPORT OF HEAD OF COMMUNITIES & NEIGHBOURHOODS****UPDATE ON SUNDRY DEBT PERFORMANCE****1.0 PURPOSE OF REPORT**

- 1.1 To provide Members with an update on the collection of Sundry Debts following the recent 205/16 Sundry Debt internal audit presented to the committee on the 16<sup>th</sup> April 2016

**2.0 RECOMMENDATIONS**

- 2.1 **(a) The Committee note the current role of the Council regarding the collection of sundry debts following the recent Sundry Debt Audit.**

**(b) The Committee note the general performance and break down of current Sundry Debt (Appendix A)**

**(c) The Committee note the Sundry Debt Audit action plan following the recent Sundry Debtor audit and proposed actions to improve the service (Appendix B)**

**3.0 KEY ISSUES**

- 3.1 The Council is required to ensure that all Sundry Debts due to the Council are collected efficiently and effectively. Sundry Debts do not include Council Tax, Business Rates or Housing Rent arrears. The debt policy for sundry income helps services to efficiently and effectively contribute to the achievement of the Council's corporate priorities.

- 3.2. Sundry charges are non-statutory charges for goods and services, where the customer chooses to request the provision of goods or services. Unpaid charges are referred to as Sundry Debt. Examples include;

- Overpayment of Housing Benefit
- Rechargeable repairs to the housing stock
- Historic Pest Control
- Allotment Rental
- Lifeline charges
- Corporate debts i.e. Biffa waste, Leicestershire County Council etc
- Cemetery charges

- 3.3 There are currently 1680 individual debtors. Every request for payment is correctly addressed to the person who is liable to pay it.

- 3.4 The Financial Services team will produce and issue payment requests within 10 working days of being notified of the provision of goods or services by the service area.

- 3.5 In the case where the payment has not been made within the specific terms of the invoice the reminder request for repayment will be issued, within 10 working days of the notification. Where the payment hasn't been received a 2nd reminder will be sent. Failure at this point to make full payment or a suitable arrangement will result in legal action being taken against the debtor

- 3.6 The Council will seek to use the most appropriate and effective method of debt recovery in order to maximise income, whilst appreciating the individuals financial circumstances.
- 3.7 The Council will encourage the most cost-effective payment methods with emphasis on those which are processed electronically.
- 3.8 The Council recognises that where a debt is irrecoverable, prompt and regular write-offs of such debts is good practice. The Council will seek to minimise the cost of write-offs to the local Council Tax payers by taking all necessary action to recover what is due. During 2015/16 £26,856 was written off.
- 3.9 Debts may be referred for write-off in the following circumstances:
- The Council is unable to trace the debtor;
  - The debt is not cost-effective to pursue;
  - The debtor is subject to formal insolvency proceedings and there is little likelihood of payment;
  - Debt has been remitted by a magistrate;
  - The Council has evidence to confirm that the debtor is suffering from a severe physical or mental illness which renders enforcement action inappropriate;
  - The debtor is deceased and there are insufficient funds in the estate to settle the debt
- 3.10 Following the 2015/16 Debtors System and Debt Recovery audit a number of service improvements have been implemented as identified in the audit action plan **Appendix B**. All arrears letters are now automatically produced from the system reducing the need for manual letters. A report to identify invoices that are in dispute is regularly produced and all debts that fall into a suspense account are reconciled and identified at an earlier stage. The Sundry Debtor & Corporate Debt policy has been updated and further improvements to the performance reporting have been made.
- 3.11 Budget holders have also contributed to reducing arrears by requesting more up front payments before services are delivered. These include pest control and building control services.
- 3.12 As at the 16th June 2016, The Council is owed £1,057,765 by its Sundry Debtors. £347k is within 90 days old with the majority of the debt being Leicestershire County Council. Almost 50% of the debt over 90 days is on an arrangement to pay.
- 3.13 Those debtors who are not making efforts to pay their debt have received warning letters and ultimately will face legal action. Those customers identified as vulnerable or struggling financially are being offered support through a number of agencies including the CAB, Money Advice Service & Me & My Learning.
- 3.14 The debt, analysed by its maturity, is shown below

Age	Up to 30 days	Up to 60 days	Up to 90 days	Up to 180 days	up to 365 days	365 days+
Total	£237,653	£97,896	£12,387	£112,092	£151,996	£430,750
Amount of Debtors	239	147	26	175	302	711
On Arrangement to pay		£85,469	£8,754	£78,708	£85,514	£136,965

3.15 The following four service areas account for a large proportion of sundry debt owed to the Council. These debts are often linked to some of our most vulnerable residents facing financial hardship, therefore recovery of the debts is a challenge and often time consuming. However have been a number of Improvements and initiatives in debt management in these areas to support the on going collections of Sundry Debts. This includes referring more debtors to advice agencies including CAB & Me & My learning.

- Rent Rebates.
- Rent Allowances.
- HRA Charges (re chargeable repairs).
- Homelessness & rent deposits.

3.16 **Appendix A** shows the level of debt has peaked and is reducing month on month. Over £2.5m of invoices were raised during 2015/16. The debtor assistant is working with specific budget holders to review their outstanding debts as identified in **Appendix A**. This includes ensuring the original invoice was correct and ensuring contact details for the customer are still accurate allowing the Council to actively pursue the debtor. Once budget holders are satisfied that all avenues of recovery are exhausted then cases will be referred to legal for action.

3.17 In April 2014, Management Team approved the recruitment of a fixed term Sundry Debtor assistant to give Sundry Debts a dedicated focus. This role is due to end in October 2016 but will be reviewed by MT before a final decision is made. The role includes ensuring the larger “corporate” debtors, such as Leicestershire County Council make their payments on time and identifying the areas of debt that need targeting. The assistant also ensures referrals are made to the appropriate debt & advice agencies to support those customers facing financial and personal difficulties. During April and May 2016 more than 100 e mails, texts and phone calls were made to the debtors resulting in a significant number of debtors making regular payment plans. The assistant is also producing debt reports that will be automatically sent direct to each budget holder regarding their debt portfolio.

#### 4.0 **POLICY AND CORPORATE IMPLICATIONS**

4.1 The main corporate implications relate to the impact on the Council’s finances if the debts are not acted upon.

#### 5.0 **FINANCIAL AND OTHER RESOURCE IMPLICATIONS**

5.1 At the present time the Council has employed a fixed term post which ends in October 2016 to recover and manage the debts and build a relationship with the debtors.

#### 6.0 **LEGAL IMPLICATIONS/POWERS**

6.1 If a debtor does respond or fails to pay after being contacted as per the recovery policy cases are referred to the Council’s legal team who pursue legal action to recover monies.

#### 7.0 **COMMUNITY SAFETY**

7.1 There are no particular implications arising from this report.

#### 8.0 **EQUALITIES**

8.1 There are no particular equalities issues arising as a result of this report.

9.0 RISKS

<b>L I K E L I H O O D</b>	<b>A</b>	<b>Very High</b>				
	<b>B</b>	<b>High</b>				
	<b>C</b>	<b>Significant</b>				
	<b>D</b>	<b>Low</b>		1		
	<b>E</b>	<b>Very Low</b>		2		
	<b>F</b>	<b>Almost Impossible</b>				
			<b>Negligible 1</b>	<b>Marginal 2</b>	<b>Critical 3</b>	<b>Catastrophic 4</b>

**IMPACT**

<b>Risk No</b>	<b>Risk Description</b>
1	Debtors do not engage with the Council.
2	The actions taken following the 2015/16 audit do not show an improvement in the service.

10.0 **CLIMATE CHANGE**

10.1 There are no particular implications arising from this report.

11.0 **CONSULTATION**

11.1 Consultation has taken place with staff and managers within the Communities & Neighbourhoods Department and Central Services Department.

12.0 **WARDS AFFECTED**

12.1 All wards are affected.

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Date: 10 June 2016

Appendices: Appendix 1 – Performance Figures