

---

**Report to Council**

---

**Date of Meeting: 26 June 2014**

---

**Subject: Annual Review of Debtors 2013-14**

---

**Report by: Revenues and Payments Manager**

---

**1.0 Purpose**

- 1.1. The purpose of this report is to provide Council with an update on income collection rates, arrears positions and provide the recommendations for writing off those arrears classified as irrecoverable or 'bad debts'. The report will also set out the main improvement actions currently being developed by the service to improve on performance.
- 1.2. The report also presents an amendment to the Corporate Recovery and Write Off Report in relation to the timing of this report to Council. Under the current Policy, the timing of this report is prescribed.
- 1.3. The presentation of this report is a key milestone in the preparation of the Council's financial statements which need to be approved by end June each year.

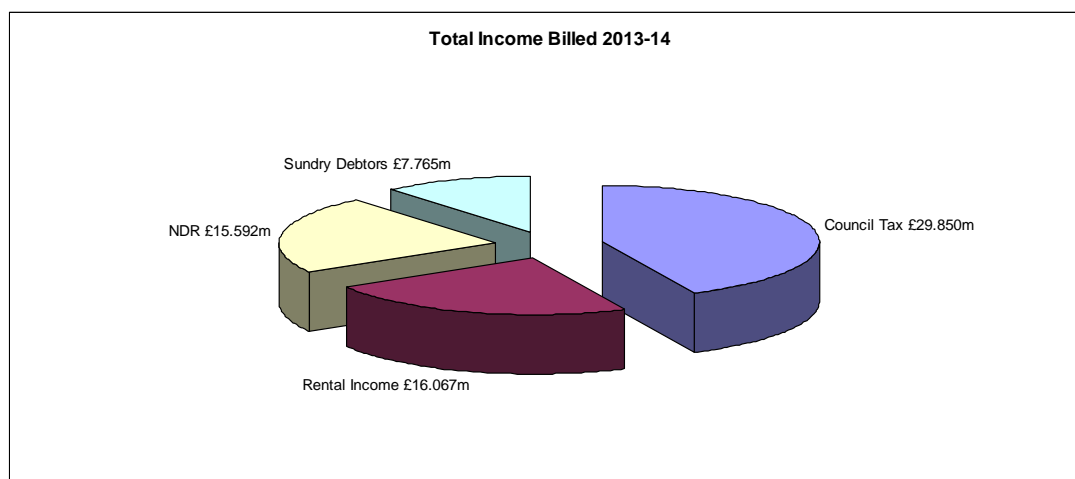
**2.0 Recommendations**

- 2.1. Council is requested to:
  - 2.1.1. note the trends in income collection levels and the related arrears positions,
  - 2.1.2. approve the write off of £740,908, which represents 1.06% of the total Council debt raised in the year. (Table 3 refers),
  - 2.1.3. note and comment where appropriate on the continuing challenges and developments in respect of income collection and recovery arrangements,
  - 2.1.4. approve the revision proposed in this report to the Corporate Debt and Write Off Policy (paragraphs 6.2 and 6.4),
  - 2.1.5. note that ongoing monitoring of performance is being undertaken through the respective Service Committees and corporately through the Resources and Audit Committee (paragraph 8.1).

### 3.0 Background

- 3.1. In January 2012, Council approved the Corporate recovery and Write Off Policy. Included within the Policy is a requirement that any irrecoverable income must be approved by Council prior to write off. In addition to formally reporting the irrecoverable debtor for write off, an annual review has been undertaken of the council's year end debtor position.
- 3.2. This report provides the annual update of the income and debtors position during 2013/14. It proposes the write off for 2013/14 and updates members on the improvement works being undertaken within the Revenues service.
- 3.3. The Revenues and Payments team collects income and arrears for a number of debt streams for Clackmannanshire Council namely council tax, sundry income/debtors and rents. The team also collects NDR on behalf of the Scottish Government under the current rates pooling system and Water Service Charges (along with Council Tax) are collected on behalf of Scottish Water under direction from the Scottish Government.
- 3.4. During 2013/14, £69.294 million of income was charged by the Council, down slightly from £69.75 million in 2012/13. The £456,000 reduction arose due to a £2.2 million reduction in value of sundry debtors invoices raised in 2013-14, against a £1.7 million increase in council tax, rents and non domestic rates. The split of the income charged is as follows:

Figure 1



### 4.0 Three Year Trend

#### Debt and Collection Position

- 4.1. Over the last three years, the level of gross debt has increased by £1.486 million from £12.123million to £13.609 million. At the same time, the level of provision for bad debts has been regularly reviewed and adjusted. This results

in the net debt position increasing from £4.863 million to £5.436 million over the same period. This position is summarised below in Table 1.

- 4.2. The trend in the individual gross debt levels over the past three years has shown an increase in Council tax, Sundry Debtors, and Rents of £1.486 million over three years ending 2013-14 at £9.260 million, £2.290 million and £2.059 million, respectively.
- 4.3. While the sundry debtors level increases year on year, the proportion of debt outstanding over 90 days continues to decline as indicated in Figure 2 below. In the last three years, the proportion of debt outstanding over 90 days has reduced from 53.81% to 37.01% at the end of 2013/14. This measure indicates, that while the sundry debtors figure has increased, the income is increasingly recovered in under 3 months..

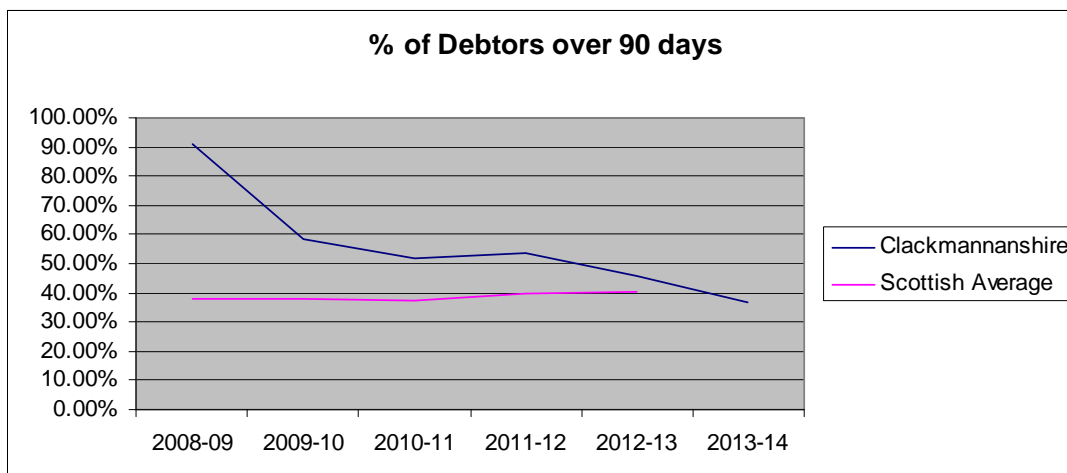
**Table 1**  
**Debt Trend over Three Years**

<b>Debtor</b>	<b>2011-12 £000</b>	<b>2012-13 £000</b>	<b>2013-14 £000<sup>1</sup></b>
Council Tax	8,859	9,095	9,260
Sundry Debtors	1,642	1,842	2,290
Rent Arrears	1,622	1,769	2,059
<b>Total Gross Debtor</b>	<b>12,123</b>	<b>12,706</b>	<b>13,609</b>
<b>Total Provision</b>	<b>(7,260)</b>	<b>(7,751)</b>	<b>(8,173)</b>
<b>Total Net debt</b>	<b>4,863</b>	<b>4,955</b>	<b>5,436</b>

<sup>1</sup> These figures are draft and are still subject to change as part of the 2013/14 external audit.

- 4.4. The Council's debtors position is reported as both a gross and net position. The gross debtor reflects the total amount due to the Council. The net debtor reflects the amount that the Council realistically expects to cover. The difference between these two figures is the debtor provision which is a prudent calculation of debt that is not expected to be recovered. The net debtor position is recognised as the best reflection of debts that will be recovered.
- 4.5. For 2013/14, the figures are draft and still subject to audit. They also incorporate the proposed write off of £740,908 to show a comparable position of the gross and net debtors over the three years. Each year there is adequate provision made against the debtor. The key indicator for debtor performance is that of net debtor, which is not affected by any write off.

**Figure 2**



- 4.6. Collection levels across the range of income streams improved during 2011-12 and 2012-13, however they have plateaued or declined by the end of 2013-14. Collection for Sundry debtors reduced 10.47% to 73.15% at the end of the year, with Council tax and NDR both declining less than 1% to 94.73% and 97.66%, respectively. A more detailed analysis of the collection levels for the difference incomes collected by the Council are covered in **Appendix A**.
- 4.7. The increase in the debtors and decline in collection levels have occurred despite the improvements made in improving the Council's processes. This demonstrates both the impact of the welfare reform changes introduced during the year, specifically the bedroom tax and benefit, and the ongoing economic situation are impacting on debt. Performance has also been affected by the completion of the Revenues and Payments restructuring, Additional demands were also placed on the team with the introduction of the Scottish Welfare Fund in April 2013 and the increase in DHP funds.
- 4.8. During 2013-14 there has also been an increase in the processing days for both new benefits claims and changes to existing claims, which has the affect of increasing debts in rent and Council tax. This has previously been reported to Elected Members.
- 4.9. During 2013-14, processing days increased as follows:

**Table 2**

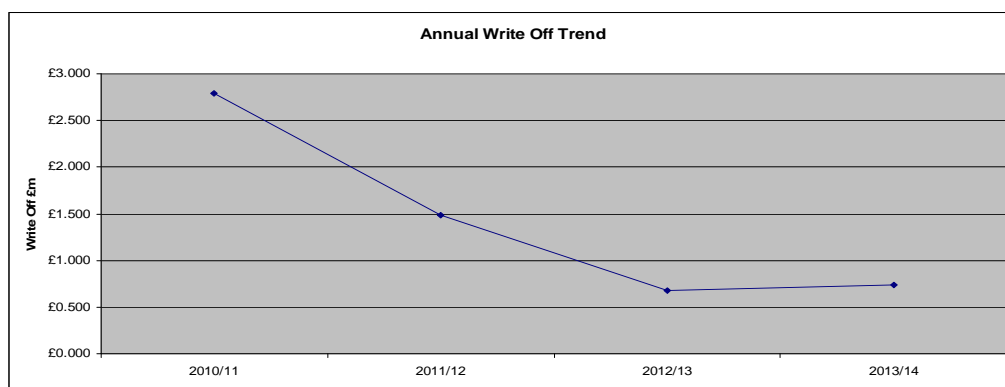
	March 2013	Sept 2013	March 2014	May 2014
Days taken to process new benefit claims	32 days	32 days	47 days	34 days
Days taken to process changes to benefits claims	9 days	21 days	15 days	25 days

- 4.10. A Performance Plan is in place within the revenues service to address the performance issues and this is incrementally demonstrating a sustained improvement.
- 4.11. The increase in debt levels is likely to continue to be a risk in future years. This risk is reflected in the increasing level of provision made for bad debts over the three year period reported
- 4.12. Both debt trends and debt provision will be kept under review. This is particularly important given the ongoing impact of the continuing economic downturn and from Welfare Reform changes.

**Write Off Position**

- 4.13. The Council's annual debt write off trend for the three years to 2013-14 is summarised below in figure 1. The write off has continued to reduce from £2.792m in 2010-11 to £0.679m in 2012-13. For 2013-14, the write off has increased to £0.741m. The trend for this figure is provided in Figure 3 below.

**Figure 3**



**5.0 Annual Write Off**

- 5.1. As part of the Corporate Recovery and Write Off Policy that was approved by Council in January 2012, all debt that is deemed as irrecoverable will be identified and presented to members annually to be written off. In doing so, the Council follows general accounting principles ensuring that all reasonable recovery actions have been undertaken prior to the identifying a debt for write off.
- 5.2. The Corporate Recovery and Write Off Policy also provides that the Director of Finance will make adequate provision for such irrecoverable debts. All the debts as detailed below have been fully provided for.
- 5.3. The following table identifies the proposed write offs for each income stream for 2013/14, together with a comparison for the write off approved for 2012/13. The 2013/14 Statement of Accounts reflects the net debt position. More detail for each income stream along with the reasons for the write off are set out in **Appendix B**.

Table 3

**Proposed write-offs for 2013/14.**

Type of Debt	Approved Write Off 2012/13		Proposed Write Off 2013/14	
	Number of accounts	Value	Number of accounts	Value
Council Tax	841	£293,206	898	£316,413
NDR	92	£179,677	208	£268,344
Sundry Debt	271	£76,186	202	£91,072
Former Tenant Arrears	81	£77,751	154	£65,079
Business Development Loans	8	£52,583	-	-
<b>Total</b>	<b>1,293</b>	<b>£679,403</b>	<b>1,462</b>	<b>£740,908</b>

5.4. The write off for each category of income represents the following percentage of total debt raised:-

- Council Tax write off represents 0.1% of the total debt raised,
- Non Domestic Rates represents 0.2% of the total debt raised,
- Sundry Debt represents less than 0.1% of the debt raised,
- Former Tenant Arrears represents less than 0.1% of the total rent raised over the preceding 5 years

5.5. In accordance with the Corporate Recovery and Write Off Policy a full record of each write off is retained by the Revenue and Payments Team to allow the debt to be written back and pursued in the future, if new information comes to light on the debtor.

## **6.0 Corporate Debt and Recovery Policy**

6.1. The Council's Corporate Recovery and Write Off Policy was approved in January 2012. The Policy sets out corporate approach to the collection, recovery and write off of Council income.

6.2. Included within the original Policy, in Section 4, "Responsibilities and Delegated Authorities for the Corporate Recovery and Write Off Policy", is the following statement :

6.2.1. "Responsibility for identifying irrecoverable income and presenting a report annually to Council for approval, prior to the reporting of the draft Annual Statement of Accounts, lies with the Revenues and Payments Manager and is administered during the year by the Revenues and Payments Service".

- 6.3. The Annual Debtors Report has been presented to Council since August 2011, however due to the timescales in collecting, collating and reporting on the revenues and debtors performance information, the annual write off figures have been presented to Council for approval as part of the Annual Debtors Report at the same time as the Draft Statement of Accounts are presented to Council.
- 6.4. In recognising the time involved in preparing the debtors and collection performance report, it is proposed that the statement " prior to the reporting of the draft Annual Statement of Accounts" is deleted, with the amended section reading as follows:
- 6.4.1. "Responsibility for identifying irrecoverable income and presenting a report annually to Council for approval, lies with the Revenues and Payments Manager and is administered during the year by the Revenues and Payments Service".
- 6.5. It is anticipated that even with this amendment, the Write Offs within the Annual Debtors Report will be presented to Council for approval at the same time as the draft Statement of Accounts.
- 6.6. Members are asked to approval the proposed amendment to the Corporate Recovery and Write Off Policy.

## **7.0 Actions taken in 2013-14**

- 7.1. In the Budget Strategy Update presented to Members, one of the four key components is income maximisation, which incorporates the collection and recovery of Council income.
- 7.2. With the introduction of the Corporate Recovery and Write Off Policy, the Revenues service has provided an annual update on the continuous improvement of the corporate debt arrangements.
- 7.3. In reviewing the Revenues service provision during 2013/14, the following activities took place:
- the service restructure was completed with all existing permanent staff being appointed or matched into new generic posts. Within the existing service staffing budget, the service was able to reconfigure to include both permanent and temporary posts. This builds in both stability and flexibility within the service to respond to the welfare reform changes.
  - On completion of the restructure, considerable time has been spent within the new teams undertaking skills assessments and developing individual and team training plans. During the second half of the year, staff have been cross skilling to move to more generic ways of working,
  - The Scottish Welfare Fund was introduced in April 2013, with the Revenues Service undertaking responsibility for the administration of the Fund,
  - The underoccupation reduction was introduced for over 700 Council tenants and over 250 private and Housing Association tenants. The

Revenues service made contact with all individuals affected and provided targeted support during the year.

- DHP Funds of £523,000 was distributed during the year to Council, RSL and private tenants, mitigating over 90% of the benefits reduction,
- Briefings were provided for members, staff and other stakeholders on the impacts of welfare reform
- The Revenues service achieved re-accreditation of Customer Service Excellence as part of the Support Service re-accreditation.
- In collaboration with other Local Authorities, the retender of the Sheriff Office service for recovery of Council debt was commenced

## **8.0 Action Undertaken Going Forward**

- 8.1. With collection levels reaching a plateau or reducing, there remains a considerable risk to the Council as a consequence of the impact of the economic downturn and Welfare Reform through reducing income collection, increasing debt and increasing debt write offs. The ongoing monitoring of corporate performance will be undertaken by the Resources and Audit Committee and service performance through the relevant Service Committees.
- 8.2. To ensure that these risks are managed, the Revenues service also continues to, review its processes, move towards greater automation of transactions and embed continuous improvement.
- 8.3. As part of the Councils 2014/15 Budget paper, the preferred core models of service delivery were defined within five Target Operating Models (TOM). The direction of the Revenues service complements two of these TOM being
- Universal Integrated Transactional Services, such as Council tax forms and introduction of automation of payment facilities,
  - Universal Integrated Local Family & Community-Based Services, such as the face to face support for complex needs or vulnerable families.
- 8.4. As part of the Services Business Planning process, the following activities have been scheduled:
- continue to embed performance management across the service and ensure decline in performance is addressed with a sustainable solution,
  - investigate cost effective options for delivery of an automated collection facility,
  - investigate the potential systems capability for undertaking a pilot for trialling direct payments of housing benefit,
  - investigate the opportunity to provide a "one stop shop" approach to advice and guidance for customers,



- undertake a cost-benefit analysis and prepare business case for the introduction an online application for the Scottish Welfare Fund
- undertake a cost-benefit analysis and prepare business case for the introduction an online application for the new customers and changes to Council tax claims
- complete the tender of the Sheriff Officer contract and investigate all opportunities to maximise the cost effective recovery of income both through the Sheriff Officer and inhouse,
- continue to embed rigorous and challenging performance management arrangements,
- work closer with housing colleagues with the integration of the Revenues service within Housing,
- complete the recruitment process for the currently vacant generic Revenues Officer posts.

## 9.0 Conclusion

- 9.1. The overall debt position and collection levels of the Council continue to be closely managed and monitored. In the previous three years to 2012/13, collection and net debt levels had been improving with increasing collection and reducing debt levels. During 2013/14 however this trend has been changing with reduced collection levels and increasing debt levels.
- 9.2. In previous years, the Council's performance had run contrary to national trends which had demonstrated overall reductions in collected income and significant increases in debtors, however in 2013/14 this trend is now being experienced by the Council. The reducing collection and increasing debtor levels continue to be a risk to the Council due to the current economic situation and the welfare reform changes and will continue to be closely monitored and regularly reported on.

## 10.0 Sustainability Implications

- 10.1. None

## 11.0 Resource Implications

### 11.1. *Financial Details*

- 11.2. The full financial implications of the recommendations are set out in the report. This includes a reference to full life cycle costs where appropriate. Yes
- 11.3. Finance have been consulted and have agreed the financial implications as set out in the report. Yes

### 11.4. *Staffing*

## 12.0 Exempt Reports

12.1. Is this report exempt? Yes  (please detail the reasons for exemption below) No

## 13.0 Declarations

The recommendations contained within this report support or implement our Corporate Priorities and Council Policies.

(1) **Our Priorities** (Please double click on the check box )

- |  |                                     |
|--|-------------------------------------|
| The area has a positive image and attracts people and businesses         | <input type="checkbox"/>            |
| Our communities are more cohesive and inclusive                          | <input type="checkbox"/>            |
| People are better skilled, trained and ready for learning and employment | <input type="checkbox"/>            |
| Our communities are safer  | <input type="checkbox"/>            |
| Vulnerable people and families are supported                             | <input checked="" type="checkbox"/> |
| Substance misuse and its effects are reduced                             | <input type="checkbox"/>            |
| Health is improving and health inequalities are reducing                 | <input type="checkbox"/>            |
| The environment is protected and enhanced for all                        | <input type="checkbox"/>            |
| The Council is effective, efficient and recognised for excellence        | <input checked="" type="checkbox"/> |

(2) **Council Policies** (Please detail)

### Corporate Recovery and Write Off Policy

## 14.0 Equalities Impact

14.1 Have you undertaken the required equalities impact assessment to ensure that no groups are adversely affected by the recommendations?  
Yes  No

## 15.0 Legality

15.1 It has been confirmed that in adopting the recommendations contained in this report, the Council is acting within its legal powers. Yes

## 16.0 Appendices

16.1 Please list any appendices attached to this report. If there are no appendices, please state "none".

Appendix A - Review of Income Collection Performance

Appendix B - Irrecoverable Debt for Write Off

Appendix C - Detailed Debtors Position to March 2014

## 17.0 Background Papers

17.1 Have you used other documents to compile your report? (All documents must be kept available by the author for public inspection for four years from the date of meeting at which the report is considered)


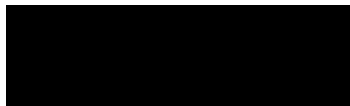
Yes  (please list the documents below) No

Director of Finance CIPFA KPIs

### Author(s)

NAME	DESIGNATION	TEL NO / EXTENSION
Susan Mackay	Revenues and Payments Manager	452047

### Approved by

NAME	DESIGNATION	SIGNATURE
Julie Burnett	Senior Support Services Manager	
Nikki Bridle	Depute Chief Executive	

13.0

**ANNUAL DEBTORS REVIEW 2013/14****REVIEW OF INCOME COLLECTION PERFORMANCE****1.0 Introduction**

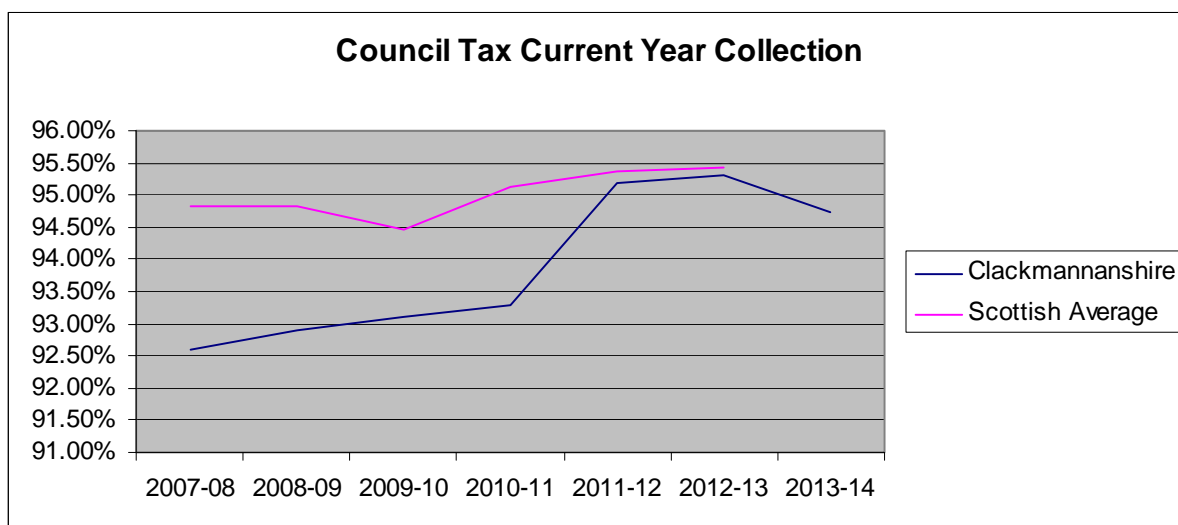
- 1.1. During 2013/14, £69.294 million of income was charged by the Council, down slightly from £69.75 million in 2012/13. In accordance with the Corporate Recovery and Write Off policy, responsibility for the collection and recovery of this income lies with the Revenues team.
- 1.2. The performance of the revenues team during 2013/14, in collecting the different streams of income is covered in more detail below.

**2.0 Council Tax Collection**

- 2.1. Council Tax and Water Service charges are levied on each domestic dwelling within Clackmannanshire. There are 23,891 such dwellings and this number has remained constant for the past two years. The annual charge levied against these residential properties amounts to £29.85 million , an increase from £29.46 million for 2012-13..
- 2.2. Over the three years from 2011/12, the level of Council Tax debt has increased from £8.859 million to £9.260million. The year on year increase reflects the new debt that occurs each year from the annual billing.
- 2.3. One key performance indicator used to measure the council tax collection rates performance is the in-year collection rate. This represents the amount of council tax collected in the year as a percentage of the amount raised in the same year. For 2013/14, the Council's collection rate was 94.73%, down from 95.31% in 2012/13. The following graph highlights the trend in Clackmannanshire Council's collection rate. The Scottish average for 2013/14 is not yet available:-

**ANNUAL DEBTORS REVIEW 2013/14**  
**REVIEW OF INCOME COLLECTION PERFORMANCE**

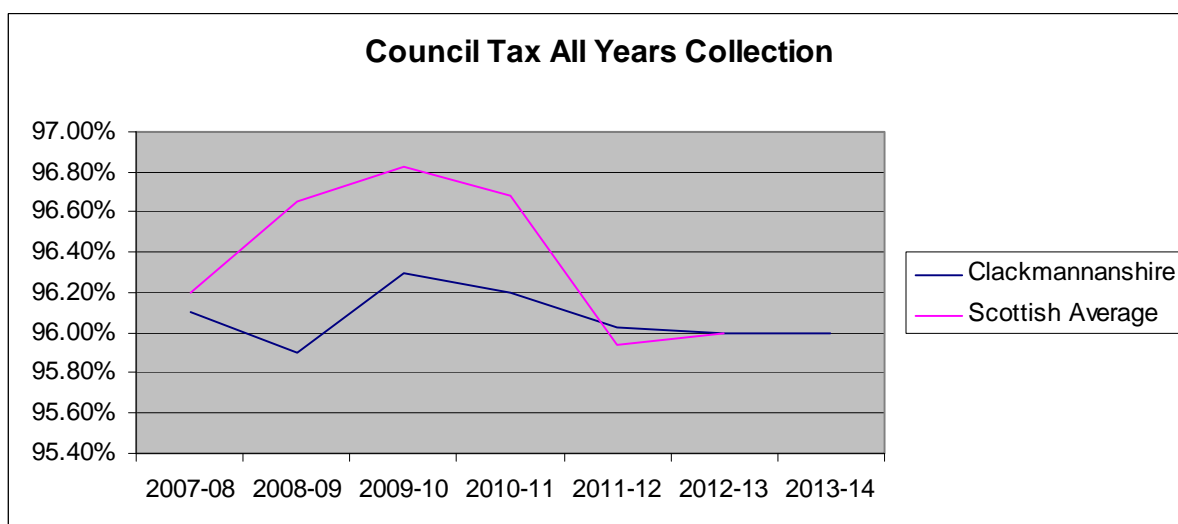
**Figure 4**



2.4. During the current year Clackmannanshire Council's in year collection rate has declined from its peak of 95.31% in 2012-13 to 94.73% at the end of March 2014.

2.5. The second indicator used to record council tax collections is the all year collection indicator. This records the percentage of council tax collected in all years in total in comparison with the amount raised for each year. The following graph illustrates this indicator for Clackmannanshire Council and compares it with the Scottish average over the last five years.

**Figure 5**



2.6. While this reflects a slightly reducing trend from 96.03% in 2011/12 to 96% in 2013/14 in collecting all years council tax income, the Council's collection has continued to be above the Scottish Average for the last two years.

## ANNUAL DEBTORS REVIEW 2013/14

## REVIEW OF INCOME COLLECTION PERFORMANCE

**Changes During the Year**

- 2.7. During 2013-14, there have been a considerable number of changes due to the welfare reforms which have impacted on the Revenues team. This has impacted on the Billing and Assessment and Recovery Teams responsible for collecting and recovering Council tax debt. For some of these changes, additional funding was provided to cover the additional costs of administration, for other changes no additional funding was provided.
- 2.8. In April 2013, additional responsibility passed to the Revenues team for the administration of The Scottish Welfare Fund. While funding was provided by the Scottish Government for two temporary revenues Officers, the administration has been onerous and a number of Revenues staff involved in the set up and ongoing administration. In addition, funding up to £523,000 was made available for Discretionary Housing Payments (DHPs) which has created additional administration. No additional funding was provided by department of Works and Pensions for the administration of the additional DHP funding and this has been met from existing staffing resources.
- 2.9. The underoccupation reduction was introduced in April 2013. This resulted in additional systems administration and considerable time being spent by staff contacting all individuals affected both prior to the introduction and during the year.
- 2.10. During the year the Revenues restructure was completed with the following changes occurring:
- the Council Tax and Benefits team combining into the Billing and Assessment team,
  - the Sundry Debtors and Non Domestic Rates team combining into the Collection team,
  - the Income Control team moving to the Recovery team.
- 2.11. Considerable time has been spent with the new teams undertaking skills assessments and developing individual and team training plans. During the second half of the year, staff have been cross skilling to move to more generic ways of working
- 2.12. At the same time as the restructure, rigorous performance management arrangements were agreed and introduced for the first time. These arrangements are continuing to be embedded within the service.
- 2.13. The reduction in collection levels during the year reflects the impact of the welfare reform changes during the year, the completion and embedding of the restructure and the current economic climate. The Billing and Assessment and Recovery Teams will continue to undertake targeted work including working closer with internal services and external partners and includes such methods

## ANNUAL DEBTORS REVIEW 2013/14

## REVIEW OF INCOME COLLECTION PERFORMANCE

as better debt profiling and enhanced information sharing. In addition, proactive and preventative work continues to be undertaken by the team especially around early intervention to prevent debts.

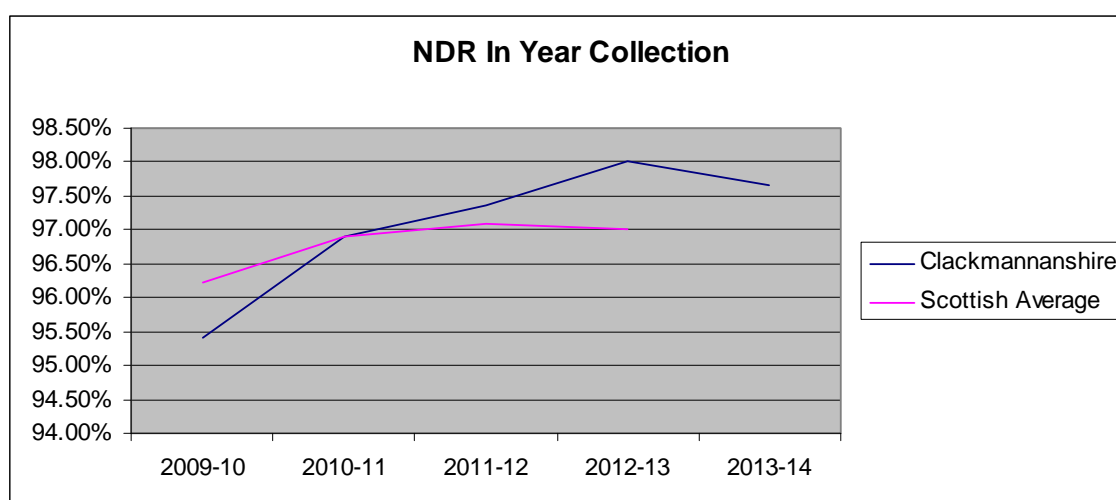
2.14. For council tax, the key performance issues are:-

- the three year trend for Council Tax gross debt shows an 4% increase,
- the net debt for Council tax continues to reduce from £3.304 million in 2011/12 to £3.099 million in 2013/14,
- Council tax collection performance improved during 2011/12 and 2012/13, though there has been a 0.58% reduction in 2013/14 to 94.73%.

### 3.0 Non Domestic Rates Collection

3.1. NDR income is billed and collected by Clackmannanshire Council on behalf of the Scottish Government under the rates pooling system. In 2013/14 the Council billed £15.592 million to over 1500 business premises in the Council area ( an increase from £14.7m in 2012/13). In 2013-14 collection levels dropped for the first time in five years by 0.34% to 97.66% down from 98% in 2012/13. Non domestic rates, collection levels have been above the Scottish Average since 2010/11.

Figure 6



3.2. The reduction in the collection performance occurred due to three new commercial properties being notified to the Council in February 2014, which had been in commercial use since the start of the year. In addition there has been an increase in the level of refunds arising from successful rateable value appeals. Refunds of £650,000 were given in 2013-14 compared to £280,000 in 2012-13.

**ANNUAL DEBTORS REVIEW 2013/14**

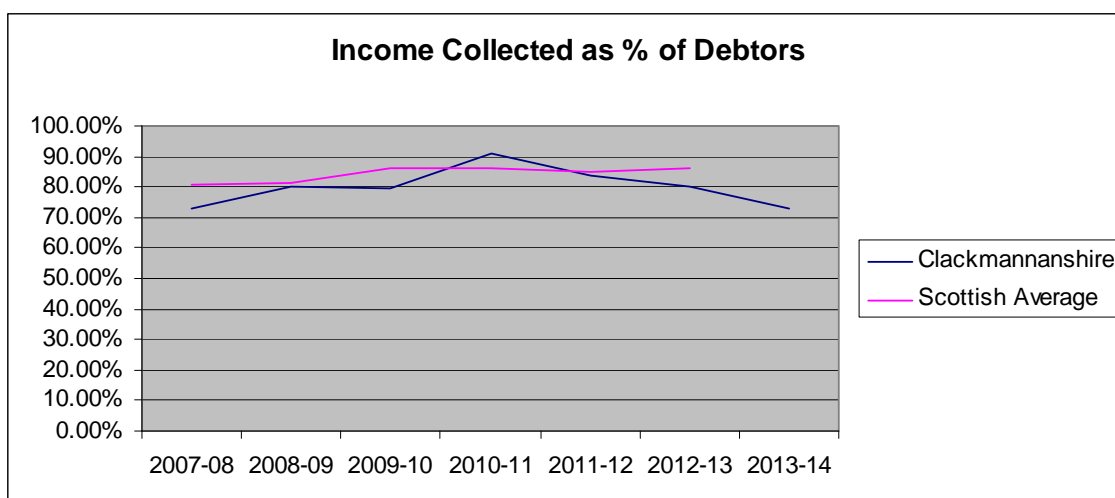
**REVIEW OF INCOME COLLECTION PERFORMANCE**

- 3.3. As described in paragraph 2.10, with the completion of the revenues restructure, the Non Domestic Rates team joined the Collection team and considerable time has been spent within the Collections Team undertaking skills assessments, developing individual and team training plans and moving to generic workstyles.
- 3.4. The Collection Team will continue to proactively approach rate payers who fail to pay their rates with early interventions to ensure debt is minimised. They will also continue to undertake closer working with internal services and external partners to ensure debtors are billed in a timeous manner and recovery action is taken, when appropriate, as soon as legislation allows.
- 3.5. For non domestic rates:-
  - performance improved between 2011/12 and 2012/13, however it declined slightly to 97.66% in 2013/14. Over the three years to 2013/14, overall performance improved 0.3%.

**4.0 Sundry Debtors Collection**

- 4.1. Sundry debtors is billed by invoices raised to a customer or member of the community in respect of services provided. In 2013/14 £7.765 million (down from £9.97 million in 2012/13) of invoices were raised for services including the provision of music tuition, commercial refuse, home help and meals on wheels. This is a drop from £9.97 million billed in 2012-13.
- 4.2. The net debt position has increased from £1.501m to £1.913m in 2013/14. In addition the 2013/14 in year sundry debtor collection level reduced 10.47% to 73.15%. The trend on collection levels is shown in figure 5 below:

**Figure 7**



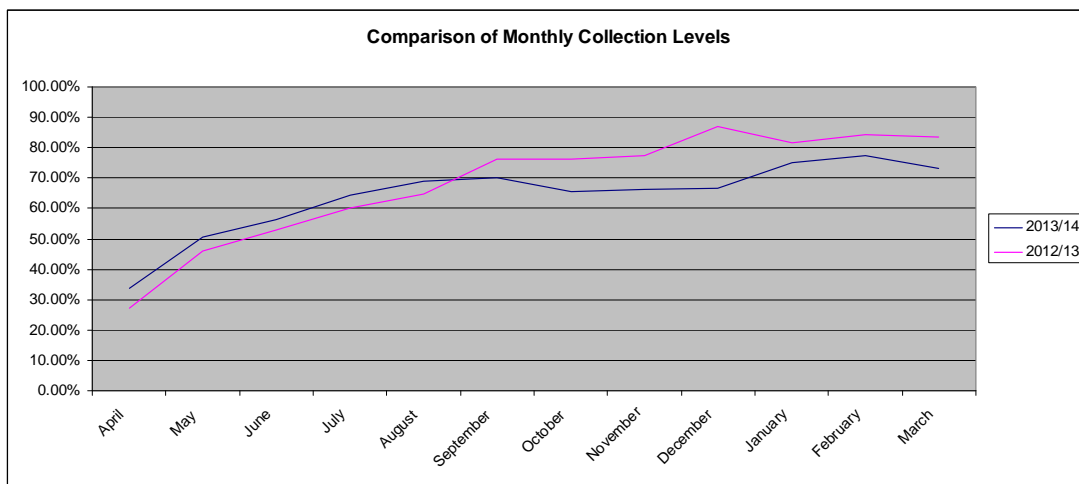
- 4.3. To understand the reasons behind the reducing collection levels, a comparison of the monthly collection levels for 2012/13 and 2013/14 was



**ANNUAL DEBTORS REVIEW 2013/14**  
**REVIEW OF INCOME COLLECTION PERFORMANCE**

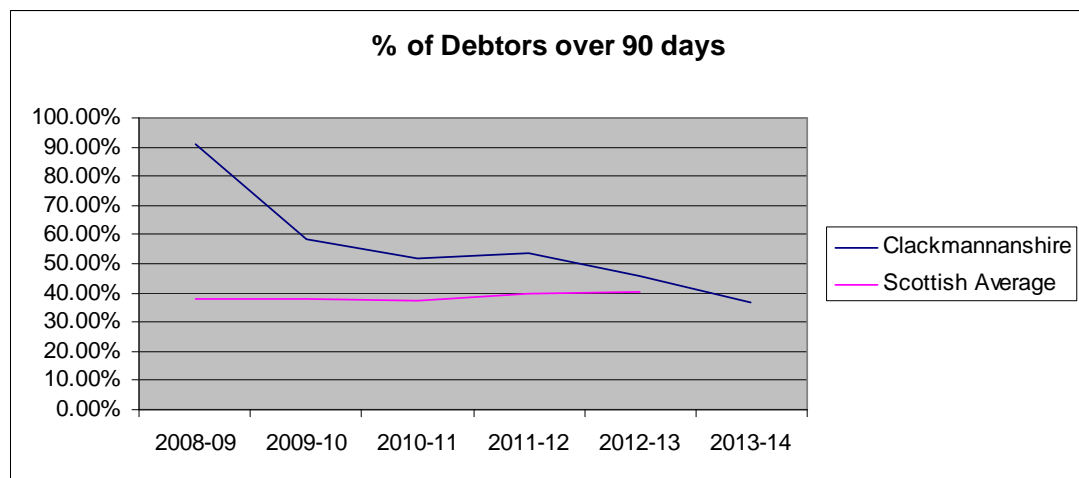
undertaken. It was noted that there was a clear trend showing a slow down of collection levels in the second half of 2013-14 compared to the same period in 2012/14. In the first half of both years, the collection levels are consistently rising, however in 2013/14 the collection levels starts to plateau, while in 2012/13 this is still a month on month incremental increase. This is illustrated in figure 6 below. The reasons behind the reduction is being investigated by the service.:

**Figure 8**



4.4. The second performance measure for sundry debtors relations to debts outstanding over 90 days. This illustrates how long it is taking to debt accounts to be cleared. For 2013/14, this reduced 8.87% to 37.01%, indicating that just over one third of debt remains outstanding after 3 months. This is shown in figure 7 below.

**Figure 9**



4.5. When the reducing collection performance is contrasted with reducing long outstanding debt, this indicates that while customer are taking longer to clear their debtor accounts, they are still doing so within 3 months..

## ANNUAL DEBTORS REVIEW 2013/14

## REVIEW OF INCOME COLLECTION PERFORMANCE

4.6. For sundry debtors:-

- the gross sundry debtor has increased £648,000 (39%) over the three years to 2013/14 to £2.290 million
- debt greater than 3 months continues to reduce which indicates that recovery rates continue to improve,
- the net debtor has increased £689,000 (36%) over the three years to £1.913 million.
- collection levels have decreased to 73.15%, due to a slow down in collection the second half of 2013/14.

## 5.0 Housing

5.1. The Housing debtor relates to all income collected in relation to the housing service, including residential, lock up and garage rents, rechargeable repairs and housing benefit overpayments. The housing debtor can be broken into the following different categories.

Table 4

### HRA arrears position 2011/12 to 2013/14

	2011-12 £000	2012-13 £000	2013-14 £000
Current tenant arrears	344	383	525
Former tenant arrears	331	367	427
HB Overpayments	767	845	912
Rechargeable Repair	134	165	181
Other Misc	46	9	14
<b>Total Gross Debtor</b>	<b>1,622</b>	<b>1,769</b>	<b>2,059</b>
Provision	(1,287)	(1,392)	(1,635)
<b>Total Net Debtor</b>	<b>335</b>	<b>377</b>	<b>424</b>

5.2. The majority of this debt is accounted for within the Housing Revenues Account with the exception of Housing Benefit Overpayments which are included in the general fund account.

5.3. The gross debt has increased £437,000 (26%) in the three years to 2013/14. This has arisen due to all housing debts increasing over the period. The net debt position has increased £89,000 over the three years ending at £422,000 at end 2013/14.

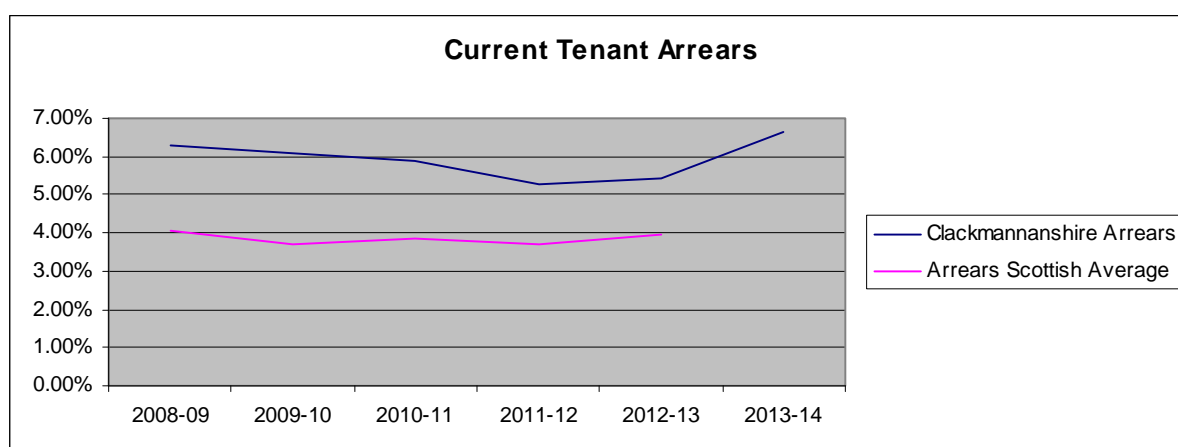
## ANNUAL DEBTORS REVIEW 2013/14

## REVIEW OF INCOME COLLECTION PERFORMANCE

## Current Tenant Arrears

- 5.4. Total gross rental income for 2013-14 payable by the Council's almost 5,000 tenants and associated lock-ups was £16.067 million (up from £15.570 million in 2012/13) an increase of £497,000.
- 5.5. The key measure of performance for current tenant rent arrears is expressed as the percentage of net rent due at the end of the financial year. For 2013/14 this was 6.65% an increase of 1.2% from 2012/13 performance of 5.45%. This remains above the Scottish Average of 3.95% for 2012-13. Performance for the previous five years, has been as follows:

Figure 10



- 5.6. The cross-the-board increase in housing debt illustrates the impact of the welfare reform changes, the completion of the Revenues restructure and performance management issues.
- 5.7. During 2013-14, the Recovery team have mitigated the impact of the introduction of the underoccupation introduced at the start of the year. Over 700 tenants were affected with underoccupation arrears of £379,000 due through the year. As additional funding was not provided by DWP, the additional administration has been managed by the existing team. In addition, the Recovery team contacted tenants about their eligibility for the additional DHP funding awarded during the year and help distribute the awards funding up to £523,000.
- 5.8. As described in paragraph 2.10, the Income Control Team combined into the Recovery team during 2013-14. In the second half of the year considerable time has been spent within the Collections Team undertaking skills assessments, developing individual and team training plans and moving to generic workstyles.
- 5.9. At the same time as the restructure, rigorous performance management arrangements were agreed and are introduced for the first time. These arrangements are continuing to be embedded within the service. Recovery

**ANNUAL DEBTORS REVIEW 2013/14****REVIEW OF INCOME COLLECTION PERFORMANCE**

staff will continue to take a proactive approach to debt recovery concentrating on early intervention to minimise debts for tenants and closely monitor the impact on individuals directly affected by the reduction in housing benefit due to under-occupation.

**Former Tenant Arrears**

- 5.10. Former tenant arrears occur when a tenant gives up a Council tenancy for various reasons including death, abandonment or evictions and any outstanding rent has not been paid.
- 5.11. The position for 2013/14 was an increase in former tenant arrears of £60,000, which represents an increase of 11% on 2012/13.
- 5.12. For all Housing providers, this debt continues to be challenging to collect as after a tenant leaves there are few sanctions that can be imposed. Dedicated resource is allocated to the collection and recovery of former tenant arrears, however collection levels remain very low.
- 5.13. The Revenues service currently is participating in the retender for Sherriff Officer services through a national framework agreement and former tenant arrears are to be included in this contract for the first time. It is anticipated that the tender exercise will be complete by October 2014 and once the preferred supplier has been appointed, former tenant details will be passed to the new Sheriff Officer for tracing and recovery.
- 5.14. Contact details continue to be held for all customers with former tenants arrears and arrangement are systematically being put in place to recover the amounts outstanding.

**Housing Benefit Overpayments**

- 5.15. Overpayments of housing benefit occurs where benefit has been received by an individual yet the DWP assesses that the individual was not entitled to receive benefit. This can occur for a variety of reasons such as fraud, claimant error or backdated change in circumstances. Where overpayments are identified, these are recovered immediately by DWP, which can result in a considerable amount being owed to by the individual to the landlord.
- 5.16. Housing benefit overpayment relating to Council tenants, known as public sector overpayments increased by £57,000 from £845,000 in 2012/13 to £912,000 in 2013/14.

**Rechargeable Repairs**

- 5.17. Rechargeable repairs continue to increase over the three years from £134,000 in 2011/12 to £181,000 in 2013/14. Rechargeable repairs relates to repairs which are recharged to tenants where there has been malicious or negligent damage. The recharge only covers the costs of the repairs to the Housing Revenue Account.

**ANNUAL DEBTORS REVIEW 2013/14**

**REVIEW OF INCOME COLLECTION PERFORMANCE**

- 5.18. The invoicing of rechargeable repairs was reintroduced during 2013-14 with £30,000 of invoices raised.
- 5.19. In acknowledgement of the increasing arrears trend, detailed work is being undertaken by Revenues and Payments and Accountancy to identify how performance can be improved. An update on the actions agreed and being undertaken will be provided to Resources and Audit Committee as part of the Director of Finance update after the summer.
- 5.20. For rent debtors, the key issues are :-
- performance has reduced with the current tenant debt increasing by 1.2% to 6.65% of the net debt raised in the year. This remains above the national average of 3.95% in 2012/13,
  - the current tenant arrears have increased £142,000 to £525,000 at the end of 2013/14, which is attributable to the impact of the welfare reform changes,
  - former tenant arrears and rechargeable repairs debts continue to increase,
  - public sector overpayments increased to £912,000 in 2013/14,

**Future of Rents/Overpayment collections.**

- 5.21. Although implementation timescales have decelerated, the Welfare Reform changes, including the reduction of housing benefit continue to be a challenge to maintain or improve levels of rent arrears and maximise recovery of overpayments due to changes associated with Welfare Reform. A Welfare Reform Update report was presented to Council in May and a members briefing is being scheduled for after recess. These continue to be carried out highlighting the impacts on this Council of the Welfare Reform agenda. The next significant change to affect tenants will be the Introduction of direct payments to tenants with Universal Credit.



**ANNUAL DEBTORS REVIEW 2013/14**  
**IRRECOVERABLE DEBT FOR WRITE OFF**

**1.0 Introduction**

- 1.1. The following table identifies the proposed write offs for each income stream for 2013/14, together with a comparison for the write off approved for 2012/13. The 2013/14 Statement of Accounts reflects the net debt position.

**Proposed write-offs for 2013/14.**

Type of Debt	Approved Write Off 2012/13		Proposed Write Off 2013/14	
	Number of accounts	Value	Number of accounts	Value
Council Tax	841	£293,206	898	£316,413
NDR	92	£179,677	208	£268,344
Sundry Debt	271	£76,186	202	£91,072
Former Tenant Arrears	81	£77,751	154	£65,079
Business Development Loans	8	£52,583	-	-
<b>Total</b>	<b>1,293</b>	<b>£679,403</b>	<b>1,462</b>	<b>£740,908</b>

**Council Tax and Water Charges**

- 1.2. The following tables split the proposed write off's for Council Tax and Water Charges by reason for the write off.

Reason	2012-13		2013-14	
	No of Accounts	Total £	No of Accounts	Total £
Deceased	233	49,964	499	122,675
Sequestration	451	194,187	204	104,085
Untraceable	157	49,055	195	89,653
<b>TOTAL</b>	<b>841</b>	<b>293,206</b>	<b>898</b>	<b>316,413</b>

**Non Domestic Rates**

- 1.3. The following tables split the proposed write offs by reason for the write off. Full case records are retained by Revenue and Payments Team for audit purposes.

**ANNUAL DEBTORS REVIEW 2013/14**  
**IRRECOVERABLE DEBT FOR WRITE OFF**

Year	2012-13		2013-14	
	No of Accounts	Total £	No of Accounts	Total £
Moved away/Untraceable	54	89,921	81	112,191
Sequestration/liquidation	38	89,756	88	154,512
Immaterial Balances	-	-	38	899
Trust Deed	-	-	1	742
<b>TOTAL</b>	<b>92</b>	<b>179,677</b>	<b>208</b>	<b>268,344</b>

**Sundry Debt**

1.4. The following tables split the proposed write offs by and originating service. It should be noted that the split by service reflects the current structure of the Council. Case level records have been retained by the Revenues and Payments team for audit purposes.

1.5.

Reason	2012-13		2013-14	
	Number	Total £	Number	Total £
Deceased	17	9,489	15	6,688
Sequestration	61	16,705	22	10,312
Untraceable	193	49,993	165	74,072
<b>TOTALS</b>	<b>271</b>	<b>76,187</b>	<b>202</b>	<b>91,072</b>



**ANNUAL DEBTORS REVIEW 2013/14**  
**IRRECOVERABLE DEBT FOR WRITE OFF**

Service	2012-13		2013-14	
	Number	Total £	Number	Total £
Community & Regulatory	102	40,690	17	7,173
Education	29	3,493	36	3,895
Facilities Management	35	6,374	24	10,026
Housing	-	-	66	46,976
Social Services	71	13,634	47	10,227
Support Services	34	11,996	12	12,775
<b>TOTALS</b>	<b>271</b>	<b>76,187</b>	<b>202</b>	<b>91,072</b>

**Former Tenant Rent Arrears**

- 1.6. The following tables show the proposed write offs for Former Tenant Arrears for dwellings and lock-ups showing the write offs split into each reason type

Reason	2012-13		2013-14	
	Number	Total £	Number	Total £
Deceased	18	5,202	91	20,860
Untraceable	46	55,727	-	-
Prescribed	16	15,925	56	29,282
Sequestrated	1	897	7	14,937
<b>TOTALS</b>	<b>81</b>	<b>77,751</b>	<b>154</b>	<b>65,079</b>



**ANNUAL DEBTORS REVIEW 2013/14**  
**DETAILED DEBTORS POSITION TO MARCH 2014**

<b>Debtor</b>	<b>2010-11 £000</b>		<b>2011-12 £000</b>		<b>2012-13 £000</b>		<b>2013-14 £000</b>	
Council Tax	9,107		8,859		9,095		9,260	
Provision	<u>(5,066)</u>	4,041	<u>(5,555)</u>	3,304	<u>(6,018)</u>	3,077	<u>(6,161)</u>	3,099
Rent	1,472		1,622		1,769		2,059	
Provision	<u>(599)</u>	873	<u>(1,287)</u>	335	<u>(1,392)</u>	377	<u>(1,635)</u>	424
Sundry Debtors	1,776		1,642		1,842		2,290	
Provision	<u>(106)</u>	1,670	<u>(418)</u>	1,224	<u>(341)</u>	1,501	<u>(377)</u>	1,913
<b>Total Net Debt</b>		<b>6,584</b>		<b>4,863</b>		<b>4,955</b>		<b>5,436</b>

