
Report to: Clackmannanshire Council

Date of Meeting: 25 June 2015

Subject: Annual Review of Debtors 2014-15

Report by: Head of Housing & Community Safety

1.0 Purpose

- 1.1 The purpose of this report is to provide Council with an update on income collection and make proposals to write off those arrears classified as irrecoverable or 'bad debts'. The report also sets out the main improvement actions currently being undertaken to improve performance.
- 1.2 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 It is recommended that Council:
 - 2.1.1 Note the trends in income collection levels and the related arrears positions,
 - 2.1.2 Approve the write off of £436,793, which represents 0.6% of the total Council income raised in the year. (Table 3 refers),
 - 2.1.3 Note that ongoing monitoring of performance is being undertaken through the respective Service Committee and through the Resources and Audit Committee,
 - 2.1.4 Note and comment as appropriate on the matters raised in the report.

3.0 Background

- 3.1 This report provides the annual update of the income and debtors position during 2014/15. It proposes the write off for 2014/15 and updates members on the improvement works being undertaken within the Revenues service.
- 3.2 The Revenues team collects income and arrears for Clackmannanshire Council namely council tax, sundry income/debtors and rents. The team also collects Non Domestic Rates (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.

- 3.3 During 2014/15, £72.260m of charges were raised, which is an increase of over 4% from £69.294m in 2013/14. The increase of £2.985m is mainly due to a £1.9m increase in the value of sundry debtors invoices raised in 2014-15, and a £1m increase in council tax, rents and non domestic rates.
- 3.4 Billing has increased across all main income streams throughout 2014-15. This has been as a result of reduction to the amount of council tax discounts given by the authority, partly as a result of the reduction of discount given to properties classed as a second home or long term empty property. In addition to the rent increase the Council housing stock has also increased as the amount of homes lost through the right to buy was less than those built or purchased from the market. Moreover, in line with the approved income and charging policy the service raised an additional 25% of invoices during the year up from 7,800 in 2013-14 to 9,700 in 2014-15.

4.0 Three Year Trend

Debt and Collection Position

- 4.1 Over the last three years, the level of gross debt has increased by £2.816 million from £12.706 million to £15.522 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 £4.955 million to £5,948 million over the same period. This position is summarised below in Table 1.

Table 1

Debt Trend over Three Years

Debtor	2012-13 £000	2013-14 £000 ¹	2014-15 £000 ¹
Council Tax	9,095	9,260	10,016
Sundry Debtors	1,842	2,290	3,063
Rent Arrears	1,769	2,059	2,431
Total Gross Debtor	12,706	13,609	15,510
Total Provision	(7,751)	(8,173)	(9,562)
Total Net debt	4,955	5,436	5,948

¹ These figures are draft and are still subject to change as part of the 2014/15 external audit of the Council's Financial Statements

- 4.2 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 recover. 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.

- 4.3 For 2014/15, the figures are draft and still subject to audit. They also incorporate the proposed write off of £436,793 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.
- 4.4 Collection for Sundry debtors has improved from 73.15% to 73.95% at the end of the year, Council tax improved from 94.73% to 94.97% and NDR showed a slight decline from 97.66% to 97.26%.
- 4.5 To improve and sustain performance, Vanguard Scotland have recently started working in the Revenues service. However, the resource intensive nature of the work in the early stages of analysis and system redesign means that a slight reduction in current performance can be expected. There will be regular reports on this performance to the relevant committees.
- 4.6 During 2014-15, processing days increased as follows:

Table 2

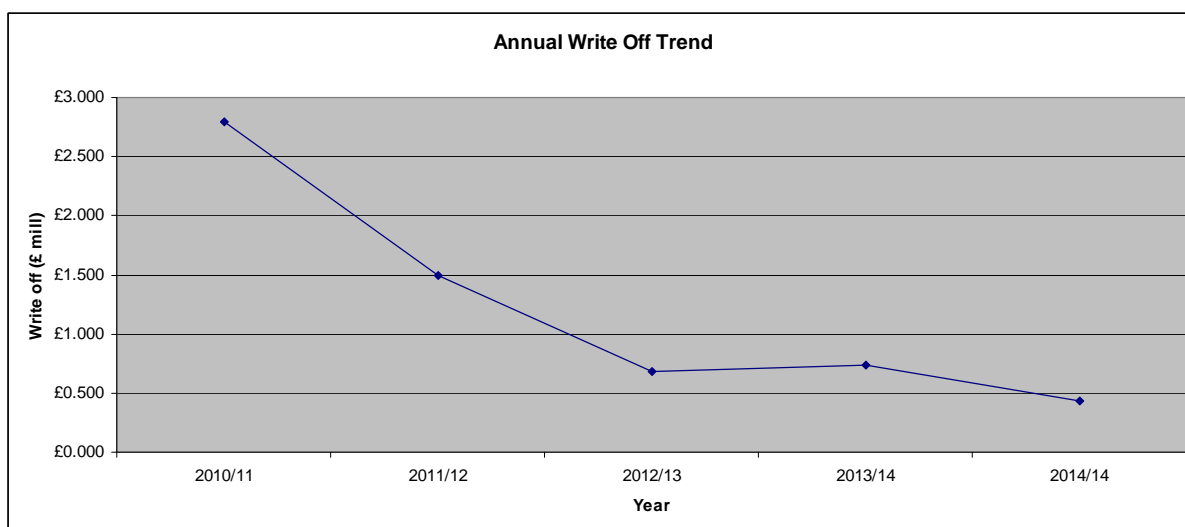
	March 2014	March 2015	April 2015
Days taken to process new benefit claims	47 days	32 days	38 days
Days taken to process changes to benefits claims	15 days	14 days	20 days

- 4.7 The service has completed a self assessment in housing benefit performance in conjunction with Audit Scotland and an improvement plan has been prepared which will monitor all aspects of the housing benefit process and performance. Housing benefit is within scope of Vanguard and it is expected that processing days of housing benefit will improve further.
- 4.8 The increase in debt levels is likely to continue to be a risk in future years as further welfare reforms are introduced. Clackmannanshire went live with Universal Credit claims on 25th May 2015. At this point it affects new claimants who would have claimed legacy benefits (JSA,IS,ESA) therefore the impact this financial year will be minimal. Updates will be provided as claimants come online.
- 4.9 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

- 4.10 The Council's annual debt write off trend for the three years to 2014-15 is summarised below in figure 1. The proposed write off has reduced significantly in this year to £0.437m from £0.741m in 2013-14.

Figure 1



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 Section 95 officer 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 2014/15, together with a comparison for the write off approved for 2013/14. The 2014/15 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 2014/15.

	Approved Write Off 2013/14		Proposed Write Off 2014/15	
Type of Debt	Number of accounts	Value	Number of accounts	Value
Council Tax	898	£316,413	726	285,604
NDR	208	£268,344	37	76,438
Sundry Debt	202	£91,072	129	41,098
Former Tenant Arrears	154	£65,079	41	33,652
Total	1,462	£740,908	933	436,793

- 5.4 The write off for each category of income represents the following percentage of total debt raised:-
- Council Tax write off represents 0.4% of the total debt raised,
 - Non Domestic Rates represents 0.1% of the total debt raised,
 - Sundry Debt represents less than 0.06% of the debt raised,
 - Former Tenant Arrears represents less than 0.05% of the total rent raised.
- 5.5 In accordance with the Corporate Recovery and Write Off Policy a full record of each write off is retained by the Revenue 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 Actions taken

- 6.1 A recovery plan was set out in the report to the Resources and Audit Committee on 26th February 2015. This included: -
- 6.1.1 Bringing forward to the consultancy work to February.
- 6.1.2 Revised rent collection and tenancy sign up processes as part of the landlord function.
- 6.1.3 Revised management arrangements. A new Service Manager was appointed in May 2015.
- 6.1.4 Review of the money advice and Scottish Welfare Fund services. There has now been training of some housing staff in basic money advice services.
- 6.1.5 A new Sheriff Officer contract, which started early in the calendar year.
- 6.1.6 A new payment card system is to be rolled out. The provisional date was June, but it is now likely to be September before the roll out begins.
- 6.1.7 There is now the facility to pay by cash or card at Kilncraigs.
- 6.1.8 The repairs team now have a terminal to allow payments for rechargeable repairs to be made in advance over the telephone.
- 6.1.9 Closer cross service working arrangements for debt recovery are now in place with legal services and the contact centre.
- 6.1.10 Account reconciliations have been improved.
- 6.1.11 Housing benefit processing was redesigned with the assistance of the Department of Work and Pensions.
- 6.2 In addition to the measures noted in February, IT systems have now also been upgraded to progress back year recovery of council tax.

6.3 As a result of these measures it is expected that performance will be improved across the service by the year end, although there may be decline in performance in the short term.

7.0 Conclusion

7.1 The overall collection levels of the Council continue to be closely monitored, and the service is undergoing a complete redesign. Although the net debt of the council has increased, with the exception of rents, this is mainly due to increased billing.

8.0 Sustainability Implications

8.1 None

9.0 Resource Implications

9.1 *Financial Details*

9.2 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

9.3 Finance have been consulted and have agreed the financial implications as set out in the report. Yes

9.4 *Staffing*

10.0 Exempt Reports

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

11.0 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
- Our communities are more cohesive and inclusive
- People are better skilled, trained and ready for learning and employment
- Our communities are safer
- Vulnerable people and families are supported
- Substance misuse and its effects are reduced
- Health is improving and health inequalities are reducing
- The environment is protected and enhanced for all

The Council is effective, efficient and recognised for excellence

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

Corporate Recovery and Write Off Policy

12.0 Equalities Impact

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

Yes No

13.0 Legality

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

14.0 Appendices

14.1 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

15.0 Background Papers

15.1 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

Author(s)

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Approved by

NAME	DESIGNATION	SIGNATURE
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ANNUAL DEBTORS REVIEW 2014/15**REVIEW OF INCOME COLLECTION PERFORMANCE****1.0 Introduction**

- 1.1 During 2014/15, £72.260 million of total income was charged by the Council, an increase of 4.3% from £69.294 million in 2013/14. 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 2014/15, 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 23,940 such dwellings and the annual charge levied against these residential properties amounts to £30.07 million, an increase from £29.85 million for 2013/14.
- 2.2 Over the three years from 2012/13, the level of Council Tax debt has increased from £9.095 million to £10.016 million. 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 2014/15, the Council's collection rate was 94.97%, an increase from 94.73% in 2013/14.

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 2014/15 the Council billed £15.274 million to over 1560 business premises in the Council area (a decrease from £15.6m in 2013/14). This is due to rates relief and changes to rateable value.
- 3.2 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.

4.0 Sundry Debtors Collection

- 4.1 Sundry debtors is billed by invoices raised to a customer or members of the community in respect of services provided. In 2014/15 £9.674 million (up from £7.765 million in 2013/14) of invoices were raised for services .

ANNUAL DEBTORS REVIEW 2014/15

REVIEW OF INCOME COLLECTION PERFORMANCE

- 4.2 Although the net debt position has increased from £1.913m to £2.660m in 2014/15 in year collection has also improved from 73.19% in 2013/14 to 73.95% in 2014/15
- 4.3 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 2014/15, this reduced by 3.54 percentage points to 33.47%, from 37.01% in 2013/14, indicating that just over one third of debt remains outstanding after 3 months.

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, re-chargeable repairs and housing benefit overpayments. The housing debtor can be broken into the following different categories.

Table 4**HRA arrears position 2012/13 to 2014/15**

	2012-13 £000	2013-14 £000	2014-15 £000
Current tenant arrears	383	525	589
Former tenant arrears	367	569	622
HB Overpayments	845	912	1,038
Rechargeable Repair	165	181	182
Other Misc	9	14	0
Total Gross Debtor	1,769	2,201	2,431
Provision	(1,395)	(1,635)	(1,960)
Total Net Debtor	377	566	471

- 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 £662,000 (37%) in the three years to 2014/15. This has arisen due to all housing debts increasing over the period. This has been recognised by the increase in provision for bad debt. The net debt position has increased £94,000 over the three years ending at £471,000 at end 2014/15

ANNUAL DEBTORS REVIEW 2014/15**REVIEW OF INCOME COLLECTION PERFORMANCE****Current Tenant Arrears**

- 5.4 Total gross rental income for 2014/15 payable by the Council's almost 5,000 tenants and associated lock-ups was £17.243 million (up from £16.067 million in 2013/14) an increase of £1.176 million.
- 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 2014/15 this was 7.4% an increase of 0.75 percentage points from 2013/14 performance of 6.65%.
- 5.6 There is ongoing work with our external consultant Vanguard to redesign the allocations process to ensure that tenancies are set up to succeed and to minimise risk of failure. This involves end to end customer support to stay in their homes and minimise arrears.
- 5.7 DWP and Scottish Government continue to mitigate the impact of the under occupancy surcharge and this in turn reduces rent arrears. Funding for 2014/15 was £592K.

Former Tenant Arrears

- 5.8 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.
- 5.9 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. These are now passed to our Sheriff Officer for further recovery action when we have exhausted all reasonable actions in line with our recovery policy.
- 5.10 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

- 5.11 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 by the individual to the landlord.
- 5.12 Housing benefit overpayment relating to Council tenants, known as public sector overpayments increased by £126,000 from £912,000 in 2013/14 to

ANNUAL DEBTORS REVIEW 2014/15

REVIEW OF INCOME COLLECTION PERFORMANCE

£1,038,000 in 2014/15. These are being passed to our Sheriff Officer incrementally as we exhaust all other means of recovery.

Rechargeable Repairs

- 5.13 Rechargeable repairs have stabilised in 2014/15 with outstanding invoices totalling £182,000 from £181,000 in 2013/14. Rechargeable repairs relates to repairs which are recharged to tenants where there has been malicious or negligent damage.

Future of Rents/Overpayment collections.

- 5.14 There has been significant work carried out in partnership with the Department of Work and Pensions (DWP) in relation to the national roll out of Universal Credit (UC). An Operational Delivery Group (ODG) has been formed that brought interested parties together to discuss issues and prepare for UC. Clackmannanshire went live for UC on 25th May 2015 but we will not be made aware of any claims until the 33rd day after the claim is made. This presents a significant risk to the Council around rent arrears and debt collection. A briefing update on UC will be presented to members after the recess.

ANNUAL DEBTORS REVIEW 2014-15
IRRECOVERABLE DEBT FOR WRITE OFF

1.0 Introduction

- 1.1 The following table identifies the proposed write offs for each income stream for 2014/15, together with a comparison of the write off approved for 2013/14. The 2014/15 Statement of Accounts reflects the net debt position.

Proposed write-offs for 2014-15

Type of Debt	Approved Write Off 2013/14		Proposed Write Off 2014/15	
	Number of accounts	Value	Number of accounts	Value
Council Tax	898	£316,413	726	£285,604
NDR	208	£268,344	37	£76,438
Sundry Debt	202	£91,072	129	£41,098
Former Tenant Arrears	154	£65,079	41	£33,652
Total	1,462	£740,908	933	£436,793

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	2013-14		2014-15	
	No of Accounts	Total £	No of Accounts	Total £
Deceased	499	122,675	389	87,100
Sequestration	204	104,085	295	190,245
Untraceable	195	89,653	42	8,259
TOTAL	898	316,413	726	285,604

ANNUAL DEBTORS REVIEW 2014-15
IRRECOVERABLE DEBT FOR WRITE OFF

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 the Revenues Team for audit purposes.

Year	2013-14		2014-15	
	No of Accounts	Total £	No of Accounts	Total £
Moved away/Untraceable	81	112,191	16	26,664
Deceased	-	-	1	4,094
Sequestration/liquidation	88	154,512	11	43,400
Immaterial Balances	38	899	8	2,233
Trust Deed	1	742	1	47
TOTAL	208	268,344	37	76,438

Sundry Debt

- 1.4 The following tables split the proposed write offs by 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 Revenues Service for audit purposes.

1.5

Reason	2013-14		2014-15	
	Number	Total £	Number	Total £
Deceased	15	6,688	20	1,940
Sequestration	22	10,312	5	850
Untraceable	165	74,072	104	38,309
TOTALS	202	91,072	129	41,098

ANNUAL DEBTORS REVIEW 2014-15
IRRECOVERABLE DEBT FOR WRITE OFF

Service	2013-14		2014-15	
	Number	Total £	Number	Total £
Community & Regulatory	17	7,173	10	11,237
Education	36	3,895	12	741
Facilities Management	24	10,026	14	2,750
Housing	66	46,976	27	12,315
Social Services	47	10,227	43	4,229
Support Services	12	12,775	22	9,826
TOTALS	202	91,072	129	41,098

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	2013-14		2014-15	
	Number	Total £	Number	Total £
Deceased	91	20,860	23	17,805
Untraceable	-	-	-	
Prescribed	56	29,282	13	11,226
Sequestrated	7	14,937	5	4,621
TOTALS	154	65,079	41	33,652

APPENDIX C

ANNUAL DEBTORS REVIEW 2014/15
 DETAILED DEBTORS POSITION TO MARCH 2015

Debtor	2011-12 £000		2012-13 £000		2013-14 £000		2014-15 £000	
Council Tax	8,859		9,095		9,260		10,016	
Provision	(5,555)	3,304	(6,018)	3,077	(6,161)	3,099	(7,108)	2,908
Rent	1,622		1,769		2,201		2,431	
Provision	(1,287)	335	(1,392)	377	(1,635)	566	(1,960)	471
Sundry Debtors	1,642		1,842		2,290		3,063	
Provision	(418)	1,224	(341)	1,501	(377)	1,913	(494)	2,569
Total Net Debt		4,863		4,955		5,578		5,948