

ISLE OF ANGLESEY COUNTY COUNCIL

REPORT TO:	EXECUTIVE COMMITTEE
DATE:	19 SEPTEMBER 2016
SUBJECT:	SCRUTINY OUTCOME PANEL – DEBT MANAGEMENT
PORTFOLIO HOLDER(S):	COUNCILLOR H E JONES
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LOCAL MEMBERS:	n/a

A - Recommendation/s and reason/s

Following a report from the Scrutiny Outcome Panel to the Executive on 25 April 2016, the Executive Committee requested a follow up report on the progress made to implement the recommendations made.

The Executive are requested to note the contents of the report.

B - What other options did you consider and why did you reject them and/or opt for this option?

Not applicable

C - Why is this decision for the Executive?

Update requested by the Executive

CH - Is this decision consistent with policy approved by the full Council?

Not applicable

D - Is this decision within the budget approved by the Council?

Not applicable

DD - Who did you consult?

What did they say?

	Who did you consult?	What did they say?
1	Chief Executive / Strategic Leadership Team (SLT) (mandatory)	
2	Finance / Section 151 (mandatory)	n/a – this is the Section 151 Officer's report
3	Legal / Monitoring Officer (mandatory)	
4	Human Resources (HR)	
5	Property	
6	Information Communication Technology (ICT)	
7	Scrutiny	
8	Local Members	
9	Any external bodies / other/s	

E - Risks and any mitigation (if relevant)		
1	Economic	
2	Anti-poverty	
3	Crime and Disorder	
4	Environmental	
5	Equalities	
6	Outcome Agreements	
7	Other	
F - Appendices:		
Appendix 1 – Detailed update report on the implementation of the recommendations made by the Scrutiny Outcome Panel		
FF - Background papers (please contact the author of the Report for any further information):		
Scrutiny Outcome Panel – Report on Debt Management – Executive Agenda 25 April 2016		

1. INTRODUCTION

- 1.1. Following on from concerns about the level of debts written off, the Corporate Scrutiny Panel set up a Panel of Members to review the management of debt within the Authority. The Panel reviewed the processes relating to the following:-
- i. How debts were raised and payments were received;
 - ii. The payment process and when did the Council receive a payment in advance of the provision of the service;
 - iii. Enforcement of unpaid debt;
 - iv. The Council's corporate policy on debt management.
- 1.2. The Panel concluded its review in April 2016 with its final report being presented to the Executive on 25 April 2016. The Panel came to 3 main conclusions and made 8 recommendations which are as follows:-

Conclusions

Conclusion 1 - The processes and practice relating to billing and income collection had improved in recent times but more needed to be done in order to increase the percentage of advance payments received for services;

Conclusion 2 - The draft Policy Document on debt management was a good starting point but more work was required in order to ensure strategic alignment with the Council's aims and priorities;

Conclusion 3 - The benchmarking exercise carried out by the Panel on debt management practice had added value to the Scrutiny review.

Recommendations

- 1.1 The Executive should establish a policy of charging in advance for goods and services, where that is possible.
- 1.2 The Senior Leadership Team should support individual Services to implement the policy of charging in advance for goods and services.
- 1.3 At an opportune time, the Head of Resources should ensure that there is a strategy in place to improve income collection levels by introducing changes to current collection methods.
- 1.4 The Senior Leadership Team should consider making full use of the proposed fund for changes in order to introduce change to our income collection culture, systems, processes and procedures on a corporate and service level (and ensure alignment with the Smarter Working Project).
- 2.1 The Executive should clarify the Council's policy on the following aspects of our debt management arrangements: - How the Council should deal with individuals who refuse to pay for care services and how the Council should deal with individuals' property under the deferred charges scheme
- 2.2 The Executive approves the corporate policy document on debt management following the development of an anti-poverty strategy and equality and Welsh language impact assessments.
- 2.3 The Head of Resources should present the corporate policy document on debt management to the Executive for approval within a timescale to be agreed by the Executive.
- 3.1 The Head of Resources should use the outcomes of the Panel's benchmarking work on debt management good practice in other authorities to add value to the draft policy document on debt management.

1.3. The Executive resolved the following:-

- To approve the final report together with its 3 main conclusions and 8 recommendations;
- That the Head of Function (Resources) report back to the Executive in September 2016 on progress, specifically with regard to responding to recommendations 1.3 and 2.2 of the final report.

2. CURRENT STATISTICS ON ARREARS AND INVOICES RAISED

2.1. The need for the review stemmed from the Scrutiny Committee's concern on the level of arrears and the number of invoices that were raised for services provided when the Council should be requesting payment in advance of providing the service.

It is an opportune time to update Members as to the current situation relating to arrears and invoices. The main arrears that relate to the Council Fund stem from Council Tax and Sundry Debtor invoices. Although arrears do exist for National Non Domestic Rates and Housing Rents, these do not directly impact on the Council Fund and are, therefore, excluded from this analysis.

Table 1			
Arrears Balances as at 31 March			
	31 March 2014	31 March 2015	31 March 2016
	£	£	£
Council Tax ①	2,673,000	2,851,000	2,501,000
Sundry Debtors ②	3,568,000	4,347,000	5,620,000
Total	6,241,000	7,198,000	8,121,000

① Per Annual Council Tax Collection Returns to Welsh Government

② Per the Civica Financials - Year End Aged Debt Reports

2.2. However, the actual balance as at 31 March each year only provides part of the analysis and it is also important to consider the age of the debts as they become more difficult to collect the older they are. Also, the amount written off needs to be considered as this reduces the arrears balance and is effectively a measure of how successful or unsuccessful the Council's Collection processes are. The aged debt analysis and amounts written off are shown in Tables 2 and 3 below:-

Table 2a			
Aged Debt Analysis – Council Tax			
	March 2014	March 2015	March 2016
	£	£	£
In year Council Tax	905,000	1,029,000	828,000
In year +1	465,700	482,100	466,900
In year +2	317,100	286,100	310,800
In year +3	235,400	238,400	226,600
In year +4	223,600	193,000	206,900
In year +5	194,900	192,600	161,900
In year +6 and over	331,300	429,800	299,900
Total	2,673,000	2,851,000	2,501,000

Table 2b			
Aged Debt Analysis – Sundry Debtors			
	March 2014	March 2015	March 2016
	£	£	£
Credit balances	(38,000)	(41,400)	(9,200)
Not yet due for payment	13,600	12,500	37,100
Less than 6 months	1,219,700	2,888,900	3,953,200
Between 6 and 12 months	432,300	204,200	317,000
Between 1 and 2 years	864,600	433,300	353,300
Over 2 years	1,409,800	916,000	1,109,400
Unmatched payments	(334,000)	(66,500)	(140,800)
	3,568,000	4,347,000	5,620,000

Table 3			
Debts Written Off in the Year			
	March 2014	March 2015	March 2016
	£	£	£
Council Tax	182,200	53,900	428,200
Sundry Debtors	0	188,400	56,800
Total	182,200	242,300	485,000

2.3. The analysis in Tables 1 to 3 confirm the following:-

- Council Tax – the collection rates are improving with arrears falling. There has been an improvement in the in-year collection rate, but the reduction in arrears is mainly as a result of the writing off of debts during 2015/16. Although the age debt profile of the debt is improving, this will be an area i.e. collection of arrears, that still needs to be targeted;
- Sundry Debtors - arrears at year end continue to rise. However, there has been an improvement in the age debt profile with payments being secured for older accounts. Most of the debt with an age profile in excess of 2 years will have charges on property to secure the Authority's interest, but there still remains the risk of significant debts potentially being written off. There is also a continuous review of unmatched payments to allocate such payments to the correct debt.

2.4. The number of invoices raised for services where there may be a possibility of receiving income prior to the provision of the service is shown in Table 4 below:-

Table 4		
Number of Invoices Raised Annually		
March 2014	March 2015	March 2016
16,471	13,487	12,576

2.5. The information in Table 4 confirms that progress has been made to reduce the number of invoices raised after the service is provided. As the debt raised reduces, the potential for unpaid and uncollectable debts also reduces, which improves the management of debt within the Council.

3. CHANGING THE INCOME COLLECTION METHODS

3.1. Traditionally the Council have offered very few alternatives to customers in how they could pay the sums due to the Council. The different options are shown in Table 5 below :-

**Table 5
Alternative Income Payment Methods**

Collection Method	Types of Income Collected	Comments
Direct Debit	Council Tax NNDR Housing Rents Homecare Gofal Môn Leisure Members	Collection by DD is limited to those services where an account number can be quoted.
Credit / Debit Cards over the telephone (Debtor not present)	Council Tax NNDR Housing Rents Sundry Debtor Invoices	Calls are taken by Cash Office, Income, Rents or Council Tax staff. Again, it requires payments of income where the payment relates to a specific account or invoice.
Cash / Cheques at Post Office	Council Tax NNDR Housing Rents Homecare	Payee either have a swipe card or use the bar code on the bill
Pay Point at Shops	Council Tax NNDR Housing Rents Homecare	As per the Post Office system, but Pay Point can only accept cash payments.
Touchtone telephone system	As per the credit / debit card payments over the telephone	This is a 24 hour service, but can only accept payments for accounts with numeric reference numbers.
Internet	Council Tax NNDR Housing Rents Homecare	This is a 24 hour service, but can only accept payments for accounts with numeric reference numbers.
Chip and Pin	Leisure Centres	This allows the payee to make payments for services at individual points around the Council e.g. departmental receptions, registrars, schools. Again, this needs to be rolled out further.
Internet Banking	As Internet Banking	Again, the payee must have a reference number they can quote with the payment
Bank / Giro Transfer	As Internet Banking	Again, the payee must have a reference number they can quote with the payment
Cash or Cheque	Any income type	Payments are still received by cash or cheque at the Council office even though the main Cash Office has closed. This type of payment is discouraged, but we will not refuse a payment if offered.

3.2. As technology has advanced, more and more customers are becoming more used to digital banking and using the internet and smartphones to pay for goods and services. The Council has been behind the times in investing in the technology required to allow customers to interact with the Council in a more modern way. However, this is changing and already invested, or will be shortly investing, in technologies which will allow the following to take place:-

1. Setting up forms on the Council's website which will allow customers to request for services and pay for them in advance using the internet. As the ability for customers to pay for different services over the Internet increases, the Council can insist that customers pay in advance for more of its services.
2. As 1 above, but for AppMon. This will allow customers to pay for goods and services with their smartphone.
3. Allowing tax payers / rent payers to pay Council Tax / NNDR or Housing Rents by means of the AppMon on their smartphone.
4. Having self-service terminals within the new Cyswllt Môn reception area. This will encourage customers to take more responsibility for paying the amounts due by digital means.
5. Rolling out chip and pin machines to Cyswllt Môn reception and the Registrars, again allowing payments to be made electronically.
6. Rolling out direct debit as a payment method for more services e.g. Gofal Môn services and industrial unit rents.
7. Investing in a new cash management system which will improve income collection processes. This will reduce the time and resources required to account for income and free up resources to monitor and recover outstanding debt.

3.3. These changes will take time to implement (a further 6 to 12 months to implement all the changes) and the change in how customers interact with the Council will also take time. Therefore, the benefits of these changes will be seen gradually over the forthcoming years.

4. DEBT MANAGEMENT POLICY

4.1. As was stated to the Scrutiny Panel, a draft of the debt management policy has been in place for a number of years, however, it has not been formally adopted. The majority of the policy forms the basis of the Council's existing arrangements for the management of debt at present. However, there is a link between the debt management policy and the Council's Tackling Poverty Strategy and there is a need to ensure that the requirements of the debt management policy do not work against the Council's Tackling Poverty Strategy.

4.2. Drafting the Tackling Poverty Strategy falls under the remit of the Tackling Poverty and Welfare Reform Project Manager. The current postholder commenced his duties in May 2016 and has started on the work to formulate the policy. A workshop has been held recently to look at one key part of the Tackling Poverty Strategy, namely supporting vulnerable families on the Island. Two other workshops are planned to take place before Christmas. Further discussions will also take place with the Senior Leadership Team and Members on the key principles of the strategy. It is planned to have the Tackling Poverty Strategy approved by February next year.

4.3. Once this work is complete, a final review of the corporate debt management policy will be made which will take account the findings of the benchmarking exercise as per recommendation 3.1 of the Scrutiny Panel.

5. IMPLEMENTATION OF OTHER RECOMMENDATIONS

- 5.1.** Recommendation 1.1 & 1.2 – It is now the generally accepted policy of the Council to require customers to pay for the services they request in advance wherever possible. To enable this to be rolled out to its maximum effect, some of the changes detailed in paragraph 3.2 will need to be implemented and this will allow the Council to force the required channel shift where customers order and pay for the services via the Internet and the App and less by telephone and personal visits to the Council Offices.
- 5.2.** Recommendation 1.4 - The Senior Leadership Team, in assessing funding bids prioritised bids which improve the Council's business processes in order to change the income collection culture. Bids supported included the purchase of a Customer Relationship Management (CRM) system, purchase of payment gateway software which will provide a link between the App / Internet and the back office systems and the purchase of a new cash management system.
- 5.3.** Recommendation 2.1 – This recommendation has not been progressed and the Executive's comments as to how to determine the Council's policy would be welcomed. e.g. do the Executive wish to determine the policy or do they wish for a wider discussion with other Members via the Scrutiny process.