

ISLE OF ANGLESEY COUNTY COUNCIL

REPORT TO:	AUDIT COMMITTEE
DATE:	23 SEPTEMBER 2014
SUBJECT:	PROGRESS REPORT ON THE COLLECTION OF DEBTS
PORTFOLIO HOLDER(S):	COUNCILLOR H E JONES
LEAD OFFICER(S):	RICHARD MICKLEWRIGHT
CONTACT OFFICER:	GERAINT H. JONES
ACTION:	FOR INFORMATION

INTRODUCTION

The Committee, at its meeting on 22 July 2014 considered the Council's Draft Statement of Accounts for 2013/14 which covered the period 1 April 2013 to 31 March 2014. In the discussion at the Committee, Members expressed concern regarding the level of Debtors and provision for bad or doubtful debts within the Draft Statement of Accounts (Note 24). Members expressed a view that a short-term debtor balance of £29.3m was felt to be excessive having regard to increasing financial pressures on the Authority.

Members requested that a progress report be brought to the Audit Committee in September on any action taken or planned to reduce this figure.

ACTION TAKEN

Key areas were identified to attempt to reduce this figure –

Sundry Debtors (Civica)

- Debt owed to the Authority by public bodies - £1.1m;
- Debt over £10,000 owed to the Authority by limited companies - £0.5m;
- Debt over £10,000 owed to the Authority by individuals - £0.5m;
- Debt that had been deferred with a charge placed on a property where the person had died but sale of property had not been completed - £0.5m;
- Debt that was approaching limits set by the Statute of Limitation i.e. 6 years - £0.1m (this is £0.4m but £0.3m is included in the above four categories);
- Debt over £10,000 owed by charities or non-profit making organisations - £0.04m.

TOTAL £2.74m

Council Tax and Business Rates (Northgate)

- Identify cases for potential bankruptcy/committal to prison action or where a charge could be placed on the property - £0.3m.

ADDITIONAL RESOURCES

The following additional resources were immediately recognised:-

- Corporate Debt Recovery Team to allocate a Recovery Officer Full Time on Sundry Debtor recovery
- Extend Agency staff contract, which was already for 3 months covering both Revenue Supervisors absence, for a further 4 – 6 months to specifically deal with large debtors and if required, provide bankruptcy proceedings special knowledge.

Both staff members have been contacting the debtors concerned and liaising with service departments to obtain proof of debt with a view to obtain payment.

Further additional resources have now been identified, mainly clerical assistance work to support Income, Cashier and Recovery Officers. 3 additional staff have been appointed for 3 months to maximum of 6 months to provide further clerical support in -

- the Income Section as that small team introduces additional Civica Software functionality, such as Direct Debit as a payment method;
- clerical support in the Cash Office to ensure that direct payments into the Authority's bank account are updated promptly against outstanding debts and the ledger, as they introduce the Civica automated bank reconciliation software; and
- further clerical support for the Corporate Debt Recovery Team caused by the additional work being generated.

This additional staff has been resourced from staff at risk or the general clerical temporary pool.

A firm of private solicitors will be appointed to provide legal advice with regard to certain outstanding debt and also to undertake debt recovery and court work.

Service departments have also been asked to identify key staff members which the Corporate Debt Recovery Team can liaise with when queries are raised or proof of debt is required.

The main aim is that the additional cost of this staff resource will be more than met from additional income being collected. This of course will be closely monitored.

COLLECTION RATE - BACKGROUND WITH REGARD TO SUNDRY DEBTORS, COUNCIL TAX AND BUSINESS RATES

Appendices A, B and C attached respectively give the overall collection rate per year for each debt type being targeted.

As the appendices show values to be collected have significantly increased over the years.

PERFORMANCE TO DATE ON THE AREAS TARGETED

Council Tax and Business Rates (including costs)

As at 31 March 2014 the debt outstanding as represented in the draft Statement of Accounts was £4.5m. This comprised of –

Council Tax £3.4m

Business Rates £1.1m

Welsh Government Debt due to over contribution to the NNDR POOL £2.0m

Less: Bad Debt Provision

Council Tax £1.3m

Business Rates £0.7m

The £2.0m owed by the Welsh Government is subject to the final external audit of the NNDR3 Final Contributions claim for 2013 - 2014. This is to be completed by the end of November 2014 in accordance with the Welsh Government timetable. Payment will then be made by the Welsh Government based on the agreed audited figure.

The arrears of Council Tax for debt have been reduced by £0.4m as at the end of June 2014 for years prior to 31 March 2014. Business Rates however, balances owed for years prior to 31 March 2014 3 have increased – this is due to adjustments to the rateable value affecting previous years.

Sundry Debtors (Civica)

As at 31 March 2014 the balance outstanding in total was £4.3m which by 15 August 2014 the total balance outstanding was £3.4m (of which £2.1m referred to debt dated prior to 31 March 2014). How has the collection performance been against the targeted areas mentioned earlier in the report which are reproduced here again?

- Debt owed to the Authority by public bodies - £1.1m;
- Debt over £10,000 owed to the Authority by limited companies - £0.5m;
- Debt over £10,000 owed to the Authority by individuals - £0.5m;
- Debt that had been deferred with a charge placed on a property where the person had died but sale of property had not been completed - £0.5m;
- Debt that was approaching limits set by the Statute of Limitation i.e. 6 years - £0.1m (this is £0.4m but £0.3m is included in the above four categories);
- Debt over £10,000 owed by charities or non-profit making organisations - £0.04m.

TOTAL £2.74m

The current position against each targeted area is as follows:-

- Debt owed to the Authority by public bodies - £0.5m;
- Debt over £10,000 owed to the Authority by limited companies - £0.2m;
- Debt over £10,000 owed to the Authority by individuals - £0.4m;
- Debt that had been deferred with a charge placed on a property where the person had died but sale of property had not been completed - £0.4m;
- Debt that was approaching limits set by the Statute of Limitation i.e. 6 years - £0.1m (this is £0.4m but £0.3m is included in the above four categories);
- Debt over £10,000 owed by charities or non-profit making organisations - £0.01m;

TOTAL £1.61m

Of the targeted debt, £0.04m has been identified as non-recoverable due to insolvency or bankruptcy and the debt now being statute barred or no adequate evidence to prove the debt. A further £0.05m has been identified where the Authority's has a deferred charge on a property but the debt has not been repaid even though the property has been sold.

Proposed action in future

- Ensure service departments have robust procedures in place to prove the debt i.e. order number or signed letter or signed agreement.
- Continue to target the areas identified and work closely with the firm of solicitors.
- Ensure that the Sundry Debtor Recovery Policy time scales are being met.
- Complete a review of procedures as regards deferred charges on property for Social Services debt to ensure that the Authority's interest is protected.

Recommendation

Members to note the content of this report.

ATODIAD A/APPENDIX A

Graddfa Gasglu - Man Ddyledion/Sundry Debtors - Collection Rate (18.08.14)

Blwyddyn Ariannol Financial Year	Nifer o Anfonebau No of invoices	Gwerth Cyfartaledd Anfoneb Average value of invoice £	Dyled Codwyd Debt Raised £	Dyled Casglwyd Debt Collected £	Dyled Dileuwyd Debt Written Off ^① £	Dyled sy'n weddill Debt Outstanding ^② £	Canran Casglwyd Percentage Collected %	Dyledion wedi eu nodi i'w dileu Debt Marked for Write off ^③ £
cyn/before 2000					25,819.79	3,236.21		522.36
2000/2001	13,799	359.63	4,962,596.77	4,829,551.06	132,832.48	213.23	97.3	1.68
2001/2002	12,273	547.19	6,715,711.93	6,584,024.91	131,226.16	460.86	98.0	3.48
2002/2003	12,209	536.22	6,546,690.14	6,450,734.69	91,946.42	4,009.03	98.5	13.73
2003/2004	12,674	603.06	7,643,153.35	7,550,948.69	90,540.86	1,663.80	98.8	9.43
2004/2005	13,217	652.96	8,630,207.97	8,530,075.74	93,170.07	6,962.16	98.8	6.85
2005/2006	13,068	673.38	8,799,743.20	8,658,662.21	137,430.24	3,650.75	98.4	7.78
2006/2007	13,703	643.05	8,811,771.04	8,601,313.73	137,928.17	72,529.14	97.6	1,179.79
2007/2008	12,768	752.77	9,611,381.04	9,482,006.63	85,526.32	43,848.09	98.7	7,507.73
2008/2009	12,135	841.08	10,206,487.54	9,955,383.69	72,763.06	178,340.79	97.5	974.52
2009/2010	12,269	989.43	12,139,318.14	11,879,812.36	63,342.39	196,163.39	97.9	6,927.26
2010/2011	11,412	1,066.37	12,169,460.68	11,909,626.52	61,065.58	198,768.58	97.9	33,037.46
2011/2012	11,538	984.00	11,353,391.50	11,063,785.76	33,526.21	256,079.53	97.4	4,645.82
2012/2013	12,246	1,082.81	13,260,129.28	12,865,134.71	8,515.88	386,478.69	97.0	13,745.47
2013/2014	16,471	671.14	11,054,335.63	10,315,592.32	0.00	738,743.31	93.3	6,716.09
2014/2015	5,677	653.02	3,707,183.17	2,468,239.26	0.00	1,238,943.91	66.6	10.89
Total	185,459	731.22	135,611,561.38	131,144,892.28	1,165,633.63	3,330,091.47	96.7	75,310.34

① mae'r ffigurau yn cynnwys dyledion sydd wedi eu dileu ac/neu wedi ei nodi i'w dileu ar yr hen system SD na chafodd eu trosglwyddo i system SD CIVICA h.y status 95

figures include debt written off and/or already identified for write off on old SD system which were not transferred onto Civica SD system i.e. status 95

② mae'r ddyled sy'n weddill yn cynnwys yr holl eitemau trosglwyddwyd o'r hen system SD i system SD CIVICA **heblaw** am eitemau hefo cod 95 h.y. wedi eu dileu ac/neu wedi eu clustnodi i'w dileu ar yr hen system SD

debt outstanding includes all items transferred from old SD system to Civica SD system but not items coded 95 i.e. written off and/or marked for write off on old SD system.

③ mae'r ffigurau yn rhoi dyled sydd wedi ei adnabod i'w dileu ar system SD CIVICA SD h.y. status WOF ond dal yn Dyled sy'n Weddill,

figures give debt identified for write off on Civica SD system i.e. status WOF but still in the Debt Outstanding,

ATODIAD B/APPENDIX B

Graddfa Casglu'r Dreth Cyngor/ Council Tax Collection Rate 30.06.14

Blwyddyn Year	Dyled Codwyd Debt Raised	Talwyd Paid £	Dileuwyd Written off £	Sy'n weddill Outstanding £	Canran Casglwyd Percentage collected %
Cyn/Before 2004					
Debyd/Debit	128,160,716.35	127,586,516.85	603,892.40	-29,692.90	99.6%
Costau/Costs	225,311.20	168,080.73	40,952.75	16,277.72	74.6%
	128,386,027.55	127,754,597.58	644,845.15	-13,415.18	99.5%
2004					
Debyd/Debit	19,683,088.09	19,577,057.16	38,922.89	67,108.04	99.5%
Costau/Costs	32,624.00	23,323.16	1,744.70	7,556.14	71.5%
	19,715,712.09	19,600,380.32	40,667.59	74,664.18	99.4%
2005					
Debyd/Debit	21,139,602.17	21,007,757.11	45,019.97	86,825.09	99.4%
Costau/Costs	60,013.37	47,146.86	2,666.47	10,200.04	78.6%
	21,199,615.54	21,054,903.97	47,686.44	97,025.13	99.3%
2006					
Debyd/Debit	22,071,984.46	21,874,445.94	65,031.74	132,506.78	99.1%
Costau/Costs	80,246.61	59,483.83	4,029.61	16,733.17	74.1%
	22,152,231.07	21,933,929.77	69,061.35	149,239.95	99.0%
2007					
Debyd/Debit	23,726,821.46	23,508,462.61	67,174.23	151,184.62	99.1%
Costau/Costs	106,408.71	79,405.08	5,259.21	21,744.42	74.6%
	23,833,230.17	23,587,867.69	72,433.44	172,929.04	99.0%
2008					
Debyd/Debit	24,500,382.00	24,251,506.11	57,262.14	191,613.75	99.0%
Costau/Costs	123,807.59	90,964.90	4,564.59	28,278.10	73.5%
	24,624,189.59	24,342,471.01	61,826.73	219,891.85	98.9%
2009					
Debyd/Debit	25,246,688.70	24,978,515.80	46,935.25	221,237.65	98.9%
Costau/Costs	140,166.70	100,934.22	4,416.70	34,815.78	72.0%
	25,386,855.40	25,079,450.02	51,351.95	256,053.43	98.8%
2010					
Debyd/Debit	26,324,827.25	26,055,151.69	41,236.79	228,438.77	99.0%
Costau/Costs	132,632.96	94,329.88	3,452.96	34,850.12	71.1%
	26,457,460.21	26,149,481.57	44,689.75	263,288.89	98.8%
2011					
Debyd/Debit	27,468,426.95	27,145,242.30	26,029.52	297,155.13	98.8%
Costau/Costs	141,690.00	98,085.17	2,750.00	40,854.83	69.2%
	27,610,116.95	27,243,327.47	28,779.52	338,009.96	98.7%
2012					
Debyd/Debit	28,859,131.34	28,423,404.08	17,550.77	418,176.49	98.5%
Costau/Costs	138,180.00	86,460.31	1,750.00	49,969.69	62.6%
	28,997,311.34	28,509,864.39	19,300.77	468,146.18	98.3%
2013					
Debyd/Debit	30,601,076.87	29,773,578.86	1,298.34	826,199.67	97.3%
Costau/Costs	153,640.00	66,377.33	210.00	87,052.67	43.2%
	30,754,716.87	29,839,956.19	1,508.34	913,252.34	97.0%
2014					
Debyd/Debit	32,515,357.85	10,037,793.95	0.00	22,477,563.90	30.9%
Costau/Costs	62,620.00	5,343.01	0.00	57,276.99	8.5%
	32,577,977.85	10,043,136.96	0.00	22,534,840.89	30.8%
Y Cyfanswm/ Cumulative					
Debyd/Debit	410,298,103.49	384,219,432.46	1,010,354.04	25,068,316.99	93.6%
Costau/Costs	1,397,341.14	919,934.48	71,796.99	405,609.67	65.8%
	411,695,444.63	385,139,366.94	1,082,151.03	25,473,926.66	93.5%

ATODIAD C/APPENDIX C

Graddfa Casglu'r Dreth Fusnes/ Business Rates Colletcion Rate 30.06.14

Blwyddyn Year	Dyled Codwyd Debt Raised £	Talwyd Paid £	Dilewyd Written off £	Sy'n weddill Outstanding £	Canran Casglwyd Percentage collected %
Cyn/Before 2004	92,487,958.65	91,253,858.36	1,188,074.60	46,025.69	98.7%
	9,371.10	6,537.76	1,761.64	1,071.70	69.8%
	92,497,329.75	91,260,396.12	1,189,836.24	47,097.39	80.9%
2004					
Debyd/Debit	11,748,659.61	11,649,568.01	94,377.46	4,714.14	99.2%
Costau/Costs	3,042.60	1,732.60	575.40	734.60	56.9%
	11,751,702.21	11,651,300.61	94,952.86	5,448.74	99.1%
2005					
Debyd/Debit	11,415,482.96	11,279,634.94	64,516.53	71,331.49	98.8%
Costau/Costs	6,772.10	4,396.40	895.20	1,480.50	64.9%
	11,422,255.06	11,284,031.34	65,411.73	72,811.99	98.8%
2006					
Debyd/Debit	11,777,565.76	11,642,894.85	72,665.51	62,005.40	98.9%
Costau/Costs	6,930.50	4,565.71	621.50	1,743.29	65.9%
	11,784,496.26	11,647,460.56	73,287.01	63,748.69	98.8%
2007					
Debyd/Debit	12,689,627.92	12,525,043.21	78,954.08	85,630.63	98.7%
Costau/Costs	9,476.00	5,934.50	734.50	2,807.00	62.6%
	12,699,103.92	12,530,977.71	79,688.58	88,437.63	98.7%
2008					
Debyd/Debit	13,232,787.48	13,056,151.23	54,888.29	121,747.96	98.7%
Costau/Costs	11,226.50	7,656.30	517.00	3,053.20	68.2%
	13,244,013.98	13,063,807.53	55,405.29	124,801.16	98.6%
2009					
Debyd/Debit	13,974,427.98	13,757,740.05	77,134.96	139,552.97	98.4%
Costau/Costs	12,060.00	8,276.97	585.00	3,198.03	68.6%
	13,986,487.98	13,766,017.02	77,719.96	142,751.00	98.4%
2010					
Debyd/Debit	13,015,969.62	12,842,421.44	53,236.46	120,311.72	98.7%
Costau/Costs	10,200.00	6,532.58	665.00	3,002.42	64.0%
	13,026,169.62	12,848,954.02	53,901.46	123,314.14	98.6%
2011					
Debyd/Debit	13,475,713.71	13,324,945.56	22,943.02	127,825.13	98.9%
Costau/Costs	4,330.00	2,510.00	0.00	1,820.00	58.0%
	13,480,043.71	13,327,455.56	22,943.02	129,645.13	98.9%
2012					
Debyd/Debit	13,344,900.28	13,165,310.77	37,538.27	142,051.24	98.7%
Costau/Costs	5,717.50	3,124.01	267.50	2,325.99	54.6%
	13,350,617.78	13,168,434.78	37,805.77	144,377.23	98.6%
2013					
Debyd/Debit	13,518,167.48	13,239,112.97	11,875.84	267,178.67	97.9%
Costau/Costs	5,800.00	1,838.03	70.00	3,891.97	31.7%
	13,523,967.48	13,240,951.00	11,945.84	271,070.64	97.9%
2014					
Debyd/Debit	14,695,078.01	7,143,921.15	0.00	7,551,156.86	48.6%
Costau/Costs	2,070.00	160.00	0.00	1,910.00	7.7%
	14,697,148.01	7,144,081.15	0.00	7,553,066.86	48.6%
Y Cyfanswm/ Cumulative					
Debyd/Debit	235,376,339.46	224,880,602.54	1,756,205.02	8,739,531.90	95.5%
Costau/Costs	86,996.30	53,264.86	6,692.74	27,038.70	61.2%
	235,463,335.76	224,933,867.40	1,762,897.76	8,766,570.60	95.5%