

## Debt Recovery Policy

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### Finance and Resources Committee

29 January 2008

#### 1 Purpose of Report

To build on the development of Council Tax Debt Recovery Policy by bringing forward initial proposals to deal with difficult to collect Council Tax Debt. In due course it is intended to use the lessons learned from Council Tax to develop a comprehensive Corporate Debt Recovery Policy which will seek to maximise collection from all types of Council Debt.

#### 2 Background

When the Revenues and Benefits Division's structure was reviewed it provided for the formation of a Debt Recovery Team. In forming this team it was recognised that a review of the current Debt Recovery Policy was required to provide the team/Sheriff Officers with guidelines that would maximise the collection of debt.

#### 3 Main Report

##### 3.1 Approach

3.1.1 Although ultimately the Debt Recovery Policy will seek to maximise collection across all debt no corporate debt software is in place at this time, though this is currently being investigated.

3.1.2 It has therefore been decided to review the Council Tax Debt Recovery Policy in the first instance. Since the migration to the new Council Tax and Benefit computer system in 2003/04 the main focus for Council Tax has been maximising in-year collection. This report concerns recovery of "hard core" debt which, if collected, would allow the Council to consider further decreases in the bad debt provision for Council Tax. The bad debt provision was reduced by 0.3% as part of the 2007/2010 budget setting, this produced additional resources of £580,000 for the 2007/08 budget.

The Council's Service Plan is focussed on it being within the top quartile of it's peer group of Scottish Urban Councils by 2008/09. It is consistently 2<sup>nd</sup> top of the 4 cities in "in-year" collection but a step change is required to achieve the Service Plan target for both "in-year" and older debt in relation to our peer group of Scottish Urban Councils. Proposals to achieve further

improvement in “in-year” collection were approved by the Committee on 13<sup>th</sup> November.

- 3.1.3 The report on Council Tax Recovery submitted to the 13<sup>th</sup> November meeting of the Committee outlined examples of difficult to collect Council Tax debt and advised that a report would be submitted to the January meeting recommending policy guidelines for some of the examples quoted.
- 3.1.4 Since then, in conjunction with Experian, the Credit Reference agency, a high level analysis of all Council Tax debt linked to most likely to pay post codes has been carried out and this indicates that there is approximately £9.25 million worth of debt (2673 customer accounts) associated with what could be described as the “can pay won’t pay” category. It should be emphasised that this is total debt outstanding for all years for those customers and needs to be considered in the context of annual tax billing of £273 million.
- 3.1.5 It is proposed to initially concentrate on these accounts and after 6 months a progress report will be submitted to the Finance and Resources Committee before progressing to the next “level” of difficult to collect customers.

### **3.2 Revised Debt Recovery Policy in relation to “can pay – won’t pay customers”**

- 3.2.1 It is proposed that the recovery policy in relation to the above category of customers shall be as follows:-

Previous years debt –

< £500 to be cleared immediately

> £500 Current year instalment and a minimum of 1/12<sup>th</sup> of previous years

Debt in addition (i.e. old years debt cleared within 12 months.)

Where appropriate an Inhibition may be taken over the customers property to safeguard the Council’s interest. The Inhibition will not change the instalment arrangements.


- 3.2.2 Where a customer in the identified “can pay – won’t pay” category is not prepared to agree the above arrangements a letter will be issued threatening sequestration and will advise the customer to contact the Debt Team/Sheriff Officers to settle the debt. Existing arrangements for these accounts will be reviewed to ensure they meet the guidelines at 3.2.1 above. Similar action will also be taken where arrangements are not maintained.
- 3.2.3 The proposed recovery policy is being recommended after examining best practice recovery policies in our peer city group of Councils. Dundee City Council have been piloting such a policy over the last couple of years. They

have found that only 10% of cases in this category result in full sequestration. The vast majority of customers either settle by lump sum or agree a satisfactory arrangement with the Debt Team/Sheriff Officers. Any such arrangement will take into account the customer's detailed circumstances and will only be offered where it is clear the arrangement outlined in 3.2.1 above cannot be realistically met.

#### **4 Recommendations**

4.1 The Finance and Resources Committee is recommended to :-

- (a) Agree the recovery policy outlined in 3.2.1 – 3.2.3 above for customers identified as "can pay – won't pay".
- (b) Note further reports will be submitted in relation to proposed recovery policy for other categories of difficult to collect debt during 2008.
- (c) Note that a progress report in relation to (a) above will be submitted to the Committee in six months time.

  
**Donald McGougan**  
Director of Finance  
11th January 2008

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<b>Appendices</b>	None
<b>Contact/Tel</b>	Mike Peterson, Head of Revenues and Benefits (469 5006)
<b>Wards affected</b>	All
<b>Background Papers</b>	None