

## Debt Recovery Policy

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### Finance and Resources Committee

11 November 2008

#### 1 Purpose of report

1.1 A debt recovery policy containing initial proposals to deal with difficult to collect Council Tax debt was approved by this Committee on 29 January 2008. It was also noted that the following reports would be submitted during 2008;

- a) a progress report regarding the debt recovery policy approved on 29 January 2008, see 2.1 below, and
- b) a proposed recovery policy for other categories of difficult to collect debt, see 2.3 below.

#### 2 Main report

##### 2.1 Progress to date with Council Tax Debt Recovery

- a) This progress 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 £0.6m for each year.
- b) The debt recovery policy was initially aimed at “Can pay – Won’t pay” customers, this category of debt was approximately £9.25 million over 2,673 customer accounts. Where the customer was not prepared to agree an arrangement as shown below, action outlined at 2.1 (c) to 2.1 (d) was taken.

Previous year’s debt -

- |        |   |
|--------|---|
| < £500 | to be cleared immediately   |
| > £500 | current year instalment and a minimum of 1/12 <sup>th</sup> of previous year’s debt in addition (ie old years debt cleared within 12 months). |

- c) The 2,673 customer accounts were analysed and accounts were withdrawn where customers, for example, now met the revised policy criteria, had gone away, were now subject to sequestration actions, or recovery action was on hold.

A letter containing details of the Council's revised debt recovery policy and threatening sequestration was issued for the remaining 1,033 customer accounts. The results are contained within Appendix 1.

As a result of this action 10 customers paid in full (£16,575) and 21 increased their repayment plans (debt value £37,581) to meet the criteria in the revised debt recovery policy. In addition 114 increased their repayment plans (debt value £565,849) but do not meet the policy criteria.

- d) The next action taken was to select 51 home owners that had not paid in full or increased their instalment arrangements as a result of action under 2.1 (c) and serve a charge for payment as contained within the Bankruptcy and Diligence (Scotland) Act 2007. Thereafter, 16 of these home owners who did not pay in full or increased their instalment arrangements are being progressed for sequestration.

To date, as a result of the above combined actions, 3 customers have paid in full (£12,493) and 10 have increased their repayment plans (debt value £84,909) to meet the criteria in the revised debt recovery policy. In addition 5 have increased their repayment plans (debt value £39,630) but do not meet policy criteria. This is a resource intensive exercise and the remaining 33 cases are still work in progress.

## 2.2 Further Action Planned

- a) The results contained within 2.1 (d) above clearly demonstrate that robust action on selected cases produces positive results where the issue of a letter is not successful. Further selected customer contact will be made utilising the debt recovery procedure outlined at 2.1 (d) for customers who still do not meet the criteria in the revised debt management policy.

## 2.3 Proposed Recovery Policy – Next Category

- a) In conjunction with Experian, the Credit Reference agency, a high level analysis of all Council Tax debt linked to the most likely to pay has been carried out. It is now proposed that we progress to the next "level" of difficult to collect customers. This category contains 12,377 customer accounts and there is approximately £37.06 million worth of debt and targets inner city areas where privately rented flats are the predominant accommodation. 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.
- b) The recovery policy employed initially will be the same as for the "Can pay – Won't pay" category as outlined in 2.1 (c) above.

## 2.4 Resource Implications

- a) Progression of this "hard core" debt and the results achieved to date could not have been achieved without the significant resource input from the Council and its appointed Sheriff Officer.

To date all costs have been contained within existing budgets but this will require to be reviewed as further work is undertaken.

In this respect discussions are taking place with Experian to determine if there are more efficient and effective ways of targeting "Can Pays – Won't Pays".

### **3 Financial Implications**

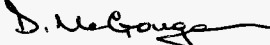
- 3.1 As stated at 2.1 (a) above, the ongoing recovery of "hard core" debt will, depending on the outcome, allow the Council to consider further decreases in the bad debt provision for Council Tax. The indicative gains outlined at 2.1 (c) and (d) are encouraging and further planned action at 2.2 will allow the Council to maximise its collection opportunities

### **4 Environmental Impact**

- 4.1 None.

### **5 Recommendations**

- 5.1 The Finance and Resources Committee is recommended to:-
- a) Agree the recovery policy outlined at 2.3 above be deployed for the next "level" of difficult to collect debt.
  - b) Note the financial gains achieved to date through implementation of the revised debt recovery policy. Further gains should be achieved in accordance with 2.2 above.
  - c) Note that a further progress report on the revised debt recovery policy will be submitted to the Committee prior to August 2009.

  
**Donald McGougan**  
Director of Finance  
31st October 2008

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Appendices 1

Contact/Tel/Email Mike Peterson, Head of Revenues & Benefits, 469 5006,  
[mike.peterson@edinburgh.gov.uk](mailto:mike.peterson@edinburgh.gov.uk)

Wards affected All

Single Outcome Agreement

Background Papers None

**DEBT RECOVERY POLICY****Letter Issued Threatening Sequestration**

	%	Number
Customer Account Total		<u>1,033</u>
 <u>Category</u>		
Home Owners	43	444
Non-Home Owners	45	465
Status Unconfirmed	12	124
 <u>Result</u>		
Settled in full	1	10
New arrangement that meets revised debt recovery policy	2	21
Arrangement increased, does not meet revised debt recovery policy	11	114
Cannot increase instalments	76	785
Cannot increase instalments – Old Age Pensioners	10	103