

UPDATE ON CURRENT AND AGED DEBTORS

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1. Summary

- 1.1. Members asked for an update in respect of the levels of aged debt held within the Council's accounts and the action taken for recovery of the debts. Progress has been made over the course of the last six months with the aged debt requiring action reducing by £1.562m to £3.699m.

2. Recommendations

- 2.1. The Audit Committee are asked to consider and endorse, with appropriate comment, the continued progress made by the debt recovery team to reduce the levels of aged debt held.

REPORT

3. Risk Assessment and Opportunities Appraisal

- 3.1 Failure to take the necessary corrective action in relation to aged debt may result in the Council having to write off significant balances which are not covered by existing bad debt provisions.

4. Background

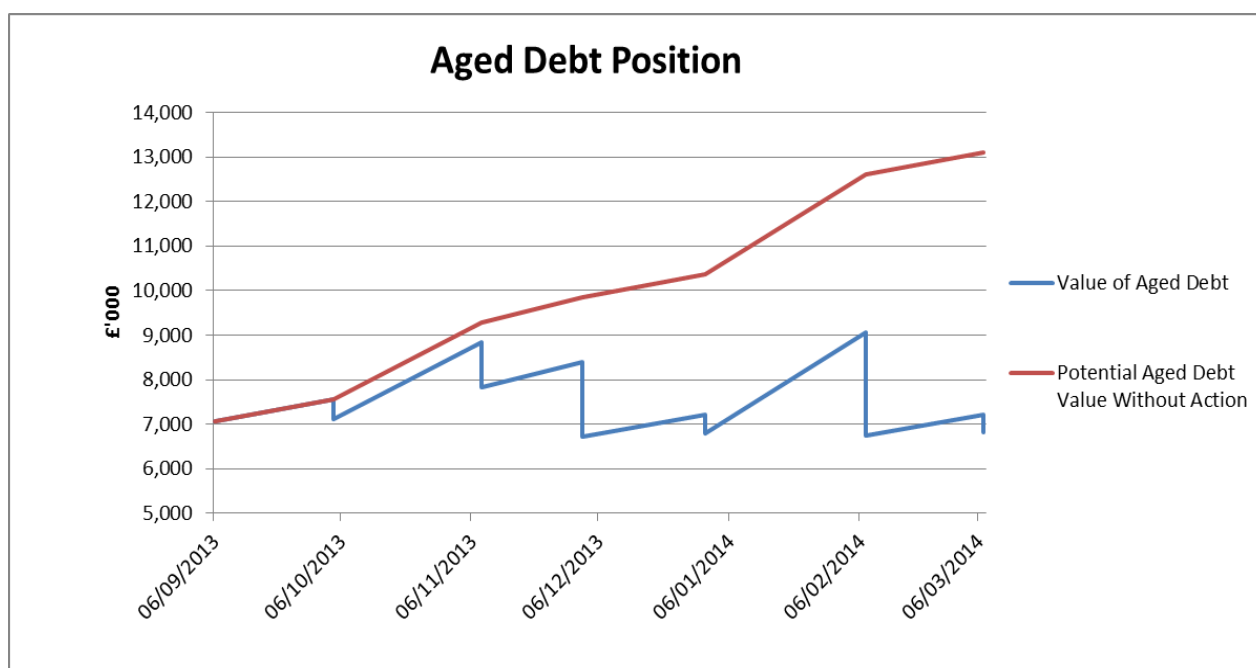
- 4.1. It was identified during the course of 2012/13 that the levels of Sales Ledger debt were high and resources within the debt recovery team were focussed on maintaining and processing of current debt rather than recovery of the old debt.
- 4.2. In response to this issue it was agreed to fund 3 temporary members of staff to help to target the aged debt and reduce the levels of debt held.

5. Aged Debt Profile

- 5.1. The total aged debt value for debts over 3 months old as at the September Audit Committee and the current position is shown below.

Age of Debt	Sept 2013 £	Mar 2014 £
3 months	433,577	320,251
4 months	414,333	580,545
5 months	952,741	335,550
6 -12 months	1,795,599	1,902,694
12-24 months	1,544,987	1,828,710
Over 24 months	1,912,639	1,847,994
TOTAL	7,053,876	6,815,744

5.2. The profile of aged debt moves every month as any new debt raised which is not paid immediately then adds to the aged debt value. Over the course of the last six months a total of £6.054m has been added into aged debt. Without proactive action by the debt recovery team, this would give a potential aged debt position of £13.108m demonstrated in the graph below. Over the course of the six month period the team have recovered a total of £6.293m of the aged debt added which has enabled the headline figure of aged debt to be marginally reduced over the period.



5.3 Even though the headline figure of debt over 3 months old has not changed significantly over the 6 month period, the breakdown of the debt position shows the improvement in the debt value requiring investigation and further action. Whilst the value of debt relating to charges on property has increased which is out of the team's control, the team has initiated more legal proceedings where appropriate and agreed more instalment plans for existing debts. A breakdown of the debt requiring investigation and further action by ledger is detailed at Appendix 1.

Age of Debt	Sept 2013	Mar 2014
	£	£
Debt requiring investigation and further action	5,261,662	3,699,226
Charges on Property	1,437,600	1,965,082
Probate Ongoing	12,016	93,117
Deferred Payment Application ongoing	0	25,107
Direct Debits Agreed	5,558	13,104
Legal Process Ongoing	227,305	811,215
Paying By Instalments	109,735	208,893
TOTAL	7,053,876	6,815,744

- 5.4 The current status of the £3.699m requiring investigation and further action is listed in the table below. The age profile of these debts is shown at Appendix 2. Of the debts included within this analysis, 52 individual debts are over a value of £10k, totalling £1.245m.

Current Status	Value (£)
Awaiting Response from Customer	1,639,826
Awaiting Response from Service Department	620,953
Awaiting Correction Credit Note	187,018
Awaiting Write Off	141,484
Credit Identified – Held Pending Update	-84,528
Customer Dispute	101,740
On Hold at Service Departments Request	19,436
Requires Escalation	50,533
Further Investigation Required	1,022,765
TOTAL	3,699,226

6. Debt Recovery Process

- 6.1 The current process for debt recovery involves an automated approach being followed for the first two months with the system generating standardised reminder letters to the relevant debtors. At the end of this process, as the debt becomes 3 months old, the debt recovery team actively chase this debt through phone calls and further correspondence. This approach is taken for all aged debts
- 6.2 It has been agreed that bailiff services will be used by the Council to supplement the debt recovery action. This will involve referring any debts that are between 3 – 18 months old. This will then enable the Council's debt recovery team to focus their attention to any administration required of new debt raised and more specifically, recovery of the older debts on the ledger. Discussions have been held with the current provider of bailiff services to the Council to agree the approach and final amendments are being made to the process of referring debts to them and templates for recovery before this becomes operational.

Age of Debt	Task Required	Current Responsibility	Future Responsibility
0-3 months	Administer new debt raised	Debt Recovery Team	Debt Recovery Team
3–18 months	Actively chase new aged debt	Debt Recovery Team	Bailiff Services
Over 18 months old	Further recovery action	Debt Recovery Team	Debt Recovery Team

- 6.3 The debt recovery team has been supplemented by three agency staff over the last six months, however the impact of this extra resource has been reduced as two members of staff have been on long term sick leave during that period. The agency staff are due to leave the organisation at the end of March 2014, however the change to the process detailed above, enables the existing team to continue to make positive progress against the aged debt position.
- 6.4 The volume of debt processed by the Council and the different types of debt mean that the Council will always hold a balance of aged debt, and this is likely to flex at different points during the financial year. However the assumed reasonable level of aged debt for the Council to hold would be between £3m and £3.5m and the detail behind this proposed target is shown below.

Type of Debt	Assumed Maximum Value (£)
Charges on Property	2,000,000
Debts in Legal Process	500,000
Payment Plans Arranged (Instalments, Direct Debits)	300,000
Further Debt recovery action required	500,000
TOTAL	3,300,000

- 6.5 This shows that there is significant work still to be done to bring the aged debt value down to this desired level, however the introduction of bailiffs, and improvements being made to the work practices of the debt recovery team make this a realistic target over the next 12 months. The aged debt position will continue to be monitored on a monthly basis to confirm that the debt position continues to move towards this target.

List of Background Papers (This MUST be completed for all reports, but does not include items containing exempt or confidential information)

Cabinet Member (Portfolio Holder) Keith Barrow (Leader of the Council) and Brian Williams (Chairman of Audit Committee)

Local Member n/a

Appendices

1 – Aged Debt Requiring Investigation by Ledger

2 – Status of Aged Debts Requiring Investigation and Further Action

Appendix 1

Aged Debt Requiring Investigation by Ledger

Ledger	Age of Debt						Total
	3 months	4 months	5 months	6 - 12 months	12-24 months	Over 24 months	
01 Shropshire Waste Partnership	0	-155	0	820	0	0	665
31 Licensing	0	0	0	0	3,262	6,593	9,855
32 Planning	1,026	3,974	209	7,973	23,664	21,496	58,342
40 Culture & Leisure	3,334	0	274	75,039	-4,469	7,997	82,175
41 Housing	3,177	12,995	1,406	36,061	35,348	101,686	190,673
60 Shrewsbury & Atcham BC						52,229	52,229
61 Bridgnorth DC						71,072	71,072
62 North Shropshire DC						21,604	21,604
63 Oswestry BC						10,184	10,184
64 South Shropshire DC					-40	18,234	18,194
C1 Shire Services Catering	13,486	14,805	11,909	16,880	6,517	-2,708	60,889
C2 Shire Services Cleaning				100	221	1,317	1,637
E1 Children & Young Peoples	25,210	28,486	1,813	4,397	-26,747	-26,152	7,005
H1 Development Services	47,157	49,907	14,915	187,466	148,562	47,857	495,864
J1 Schools	180	0		456			636
S1 Social Care	94,653	143,416	89,548	623,826	486,389	541,735	1,979,566
S3 Social Care - Property	3,493	6,987	3,493	23,908	13,590	10,831	62,302
T1 County Training	2,657		659	880	-320	-592	3,284
X1 Resources	7,137	17,257	91,243	255,270	133,453	35,641	540,003
X2 Property	1,174	2,900	814	20,141	1,417	8,612	35,058
X3 Legal & Democratic	70			150		468	688
X4 Chief Executives	99	92	10	769	851	-4,523	-2,702
TOTAL	202,853	280,664	216,294	1,254,135	821,698	923,583	3,699,226

Appendix 2

Status of Aged Debts Requiring Investigation and Further Action

Status of Debts	Age of Debt						Total
	3 months	4 months	5 months	6 - 12 months	12-24 months	Over 24 months	
Awaiting Response from Customer	133,413	149,580	141,853	688,758	328,824	197,398	1,639,826
Awaiting Response from Service Department	18,661	63,246	48,679	208,541	132,064	149,761	620,953
Awaiting Correction Credit Note	1,218	2,536	266	152,663	30,155	180	187,018
Awaiting Write Off	506	462	522	5,892	19,910	114,193	141,484
Credit Identified - Held Pending Update	1,789	-175	-77	-7,290	-42,205	-36,570	-84,528
Customer Dispute	0	2,628	738	12,179	75,001	11,195	101,740
On Hold at Service Departments Request	0	-46	0	19,482	0	0	19,436
Requires Escalation	0	0	0	0	0	50,533	50,533
Further Investigation Required	47,266	62,433	24,313	173,910	277,950	436,893	1,022,765
TOTAL	202,853	280,664	216,294	1,254,135	821,698	923,583	3,699,226