

Council's approach to Debt Recovery

1. With high levels of deprivation, a proportionately high benefit caseload, alongside low levels of income, Council Tax collection across the town will remain a challenge. Council Tax Reduction is provided to around 18,300 households, with the maximum award of 90% to some of the town's most financially vulnerable. There is a steady migration to Universal Credit and as such the amount of Housing Benefits Overpayments created is a diminishing return with the debt becoming significantly more difficult to collect as the ability to deduct from ongoing benefit lessons.
2. Business Rates and Sundry Debt collection is considered less of a challenge provided that the debt is collected in-year. The likelihood of collecting aged debt is problematic, businesses can cease trading, wind up, become bankrupt, leaving the Council with very little recovery options and a strong likelihood that the debt will be written off.
3. Whilst overall collection rates over a period of time are respectable, a stronger focus on in-year debt and aged debt is fundamental in ensuring the council optimises cash collection thus further supporting the reduction in the provision which is assigned to bad debt.
4. Through a comprehensive collection strategy, underpinned by the Council's Welfare Strategy for both business and residents, the Council will effectively pursue debt in a firm but fair way. Residents and businesses will be offered a range of support to resolve debt problems, such as maximising benefit, welfare advice and support, debt management, crisis support all of which form part of the support on offer.
5. Where payment is not forthcoming the Council will exercise its powers provided under the relevant legislation to enforce the debt. Some of these powers are significant and can lead to serious consequences such as attachment to earnings, removal of goods, forcing the sale of a property or even commitment to prison all of which are powers enshrined in law.
6. To support the increased focus, additional resource has been placed in all of the four areas above and will mean thousands more cases, where debt remains being actively progressed. The increased activity will likely lead to many difficult conversations with Residents and Businesses some of which may result in member engagement, complaints, disputes and even the possibility of alleged fraud where residents and business have failed to report changes. This is anticipated/expected due to the increased focus and the thousands more cases that will be managed. Over more recent months, a number of aged debt business rates cases have been pursued, most gaining press coverage as the Council gives a strong message that outstanding debt will be collected.

7. Of the debt remaining, it is anticipated that some debt will not be enforceable and as such irrecoverable. Financial provision has been set aside to respond to this on the basis that where the propensity to pay is low and unlikely to be recovered, the Council has the ability to write debt off. Write offs should be routinely undertaken as part of good debt management allowing for a more accurate bad debt provision and greater financial management of debts owed to the Council.

8. The Council's approach to improving its debt position will be based on the following principles:
 - Resolve Debt Problems –By providing Welfare Advice and Support
 - Where Debt Remains a Problem - Exercise the powers provided in law.
 - Where Debt is Irrecoverable – Write the debt off.