



GREENHALGH KERR



Tackling Arrears With Limited Resources



In 2022 we conducted a survey on the issues being faced with council collection departments:

45 councils – results split into 3 broad categories:

Council reputation / political will : 12%

Associated costs : 22%

Internal resource : 66%



80 / 20 principle

“80% of outcomes result from 20% of input.”



Council Tax

- ✓ Standard procedure : unpaid LOs referred to enforcement agents
 - ✓ Returned to council if uncollected
 - ✓ Resource issue may mean an ever increasing list of cases
 - ✓ Daunting prospect to deal with them
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- The data is there to be used and interrogated
 - There is a limit to what can be achieved if EA has been unsuccessful
 - Quickly identifying the status of a debtor can assist in identifying the route forward
 - Identifying write offs can save a lot of time



Volume Arrears – Council Tax

Data Company obtain all the relevant data from the council system and create a list of all live arrears cases

- Minimum balance £1,000?
- No arrangement in place?

Data Company credit check all accounts in an individual's name

- Seeking individuals who own property or have strong credit rating
- Rest of accounts into lower status categories

Results

- Cases categorised
- Property ownership checked and confirmed

Final checks

- Unsuitable cases removed eg vulnerable / on arrangement

Legal action to be taken

- Most suitable route to recovery identified – insolvency or charging order (or AOE)
- Case progresses with council approval
- Case resolved with recovery action

If bankruptcy or winding up order obtained, IP appointed with a view to realising estate for creditors



Case Categories

Level	Prospect of Recovery	Commentary	Activity
1	High	D is a property owner with excellent levels of equity (possibly unencumbered property)	LBA/stat demand/bankruptcy proceedings. Suitable for IP appointment.
2	Good	D a property owner with modest/sufficient levels of equity	LBA/stat demand/bankruptcy proceedings – suitable for IP appointment. Secure debt by FCO leading to OFS proceedings to seek repossession/settlement in full.
3	Fair	D property owner – question over equity or high levels of debt D has a good credit rating	LBA/stat demand/speculative bankruptcy proceedings to be withdrawn if payment proposals not made – not suitable for IP appointment. Obtain FCO with a view to repayment by instalments (repossession not feasible). Use of attachment of earnings
4	Poor	Debt less than £5,000 / home owner with no equity / non home owner	LBA / Statutory demand only. If no response recommendation for write off.



NDR

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- Probably lower numbers of cases (but with higher balances)
 - Similar credit checking facility
 - Better to support with manual checks at companies house
 - Use of case categories
 - Identify write offs but also accounts worth further investigation
 - Insolvency used on suitable cases



Overview

- ✓ Purpose is to turn 100s / 1000s of cases into recoveries, or write them off (and stop wasting time)
- ✓ Post-EA there are only 3 or 4 recovery options left
- ✓ Data extraction and categorisation should vastly reduce amount of time on deciding what to do
- ✓ Remember the 80 / 20 principle – its not perfect
- ✓ Results from the categories can be monitored and adjusted (feedback loop)



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