

AUDIT AND GOVERNANCE COMMITTEE

12 MARCH 2021

INCOME MANAGEMENT

Recommendation

- 1. The Chief Financial Officer recommends that the Income Management report be noted.**

Progress on Income Management

2. This report updates the Committee on progress with this change programme.
3. Since the last Committee meeting, the Income and Debt Manager has started her new post in January 2021 and has developed a new team structure for managing debt. New and experienced debt officers are in the process of being recruited and this is expected to be complete over the next month. A short-term review of the top debtors has been undertaken and a number of large debts have successfully been cleared following management action.
4. Existing Income and Debt procedures have been documented and reviewed, which will lead to updated income recovery processes and a new Corporate Debt Policy will be brought to a future meeting of this committee for approval.
5. Additionally, we have recruited temporary staff in Legal Services with the appointment of 3 legal professionals (a Solicitor, Legal Assistant and Legal Clerk) to focus on the legal recovery of aged debts. The team is managed by the Council's Principal Solicitor.
6. We have improved the provision of data extraction and reporting to enable analysis of debt. This has brought with it a much sharper focus on key debts and the ability for greater transparency to be managed within Directorate Services. Future development will be around extracting data to analyse customers payment patterns (i.e. impact of receipt of invoice, reminders etc.) to ensure that our process delivers optimal returns.

Latest position on debts

7. The table below shows the level of sundry debt stands at £20.55 million (£30.2 million in October 2020), of which 62%, £12.77 million (67%, £20.2 million in October 2020) was raised this financial year.
8. Whilst the overall debt levels have reduced significantly since October 2020, this is mainly due to the inclusion in the October data of around £10 million precept invoices to District Council's raised within that month, which have since been paid.

Table 1 – Summary of aged debt at start of 28 February 2021

Year raised	Installment	Litigation	With Legal	With Officers (Dispute)	Pending Cancellation	< 30 Days	To be referred to Officers	February 2021 Totals		October 2020 Totals		
	£	£	£	£	£	£	£	£	£	£	£	
2014	1,381.33	178,767.71	17,542.61	59,695.48	137.09	-	-	5,710.54	251,813.68	1.23%	278,159.63	0.92%
2015	450.93	95,549.56	75,821.63	64,294.45	17,689.59	-	-	2,857.83	250,948.33	1.22%	261,824.46	0.87%
2016	28,865.92	219,643.42	48,987.20	179,589.73	4,458.81	-	-	22,978.89	458,566.19	2.23%	476,061.87	1.57%
2017	47,036.81	642,694.17	156,125.50	516,463.16	9,746.73	-	-	3,879.38	1,375,945.75	6.70%	1,372,451.36	4.54%
2018	45,131.79	893,070.61	6,836.39	1,042,576.49	47,002.32	-	-	89,694.60	1,944,923.00	9.46%	2,101,992.91	6.95%
2019	75,720.27	1,860,969.59	76,337.86	854,788.31	47,413.13	-	-	582,672.46	3,497,901.62	17.02%	5,555,928.10	18.38%
2020	525,522.40	1,420,113.94	-	1,096,398.38	28,031.51	5,004,631.20	4,696,156.84	12,770,854.27	62.14%	20,182,587.57	66.77%	
Total Sundry Debts	724,109.45	5,310,809.00	381,651.19	3,813,806.00	154,479.18	5,004,631.20	5,161,466.82	20,550,952.84			30,229,005.90	
	3.52%	25.84%	1.86%	18.56%	0.75%	24.35%	25.12%					
								Less Installments	- 724,109.45		- 2,541,268.23	
								Less <30 Days	- 5,004,631.20		- 9,776,457.50	
									14,822,212.19		17,911,280.17	
								Of Which				
								In Litigation	381,651.19	2.57%	202,355.59	1.13%
								With Managers to chase or complete litigation forms	5,310,809.00	35.83%	592,238.59	3.31%
								With Liberata undergoing reminder action	5,161,466.82	34.82%	14,699,777.86	82.07%
								With Managers In dispute or awaiting cancellation	3,968,285.18	26.77%	2,416,908.28	13.49%
									14,822,212.19		17,911,280.32	

9. Of the total debt recorded greater than 30 days old, for which there is not an instalment or pending cancellation is £14.8 million (October 2020 - £17.911 million).

Table 2: Debt to chase - Summary

31/10/20 (reported to Last A&G)	28/02/21	Comment
£2.4m	£4.0m	With managers/clerks to determine the next steps to chase, collection or write off debt.
£14.7m	£5.1m	With Liberata having sent reminders to next seek advice from Managers as to the next steps for recovery. This is usually the point at which debt becomes greater than 90 days.
£0.6m	£5.3m	Litigation action being taken through final reminders
£0.2m	£0.4m	With legal to pursue through the courts or other measures, or for write off
£17.9m	£14.8m	Total

10. The top 20 debtors, anonymised, are as follows:

Table 4: To 20 Debtors – Anonymised

TYPE	Current	<12 Months	>12 Months	Grand Total
NHS		1,558,822.17		1,558,822.17
COUNCIL	1,092,699.06	8,144.00	8,779.37	1,109,622.43
EDUCATION	60,669.66	214,932.00	619,036.50	894,638.16
COMPANY	391,106.34			391,106.34
COUNCIL		308,407.90	5,880.00	314,287.90
COMPANY	90,589.39	139,079.76	60,990.48	290,659.63
COUNCIL	29,367.55	44,857.69	140,104.73	214,329.97
COUNCIL	196,788.16	4,300.00	- 4,576.33	196,511.83
INDIVIDUAL		195,412.57		195,412.57
INDIVIDUAL	181,423.36	10,159.14	2,067.36	193,649.86
NHS	60.00	3,077.00	173,837.12	176,974.12
EDUCATION	306.00	36.00	172,972.67	173,314.67
EDUCATION	164,266.06			164,266.06
COMPANY			145,653.83	145,653.83
COUNCIL		137,800.36		137,800.36
INDIVIDUAL			119,057.43	119,057.43
COUNCIL	7,133.34	21,793.20	87,773.30	116,699.84
COMPANY	116,225.03		52.50	116,277.53
COMPANY			113,102.52	113,102.52
INDIVIDUAL			111,582.80	111,582.80
TOTAL	2,330,633.95	2,646,821.79	1,756,314.28	6,733,770.02

11. The level of debt owed by the Top 20 Debtors is now £6.7 million (£14.8 million in October 2020).

12. The Debt Team are liaising with Senior Council Officers to ensure that certain NHS, Education and Council debts are being followed-up.

13. There are 4 debtors in the top 20 marked as 'individual' these are more sensitive as they relate to social care service users.

14. Where companies owe the Council money, we are proactively contacting these companies and working with operational managers to ensure payment is received.

15. We have recommenced the dunning process to issue reminders for all outstanding debts.

Legal Services Update

16. A referral procedure for cases to come to the Legal Services' Debt Team has been established with the Centralised Debt Team. The Legal Services' Debt Team has developed its internal processes, reviewing standard letters to ensure compliance with pre-action protocols where applicable, drafting precedents and developing an electronic case management system through Iken.

17. There are two main category of debts that have been referred to date, namely care home fees and other miscellaneous debts. Clearance of care home fees are often reliant on for the sale of the Deceased's property. There are currently three active cases, which fall into this category, and they should bring in around £93,000.

18. Care fees recovery to date total around £33,000. In addition, there are two other cases with monthly payment plans in place – the overall debt for these is around £18,000. Recovery on sundry debts is £13,000 and payment plans are in operation for a number of debts totalling just over £1,000.

19. There are 48 active files at present. Looking forward we are expecting an increase in referrals once the Centralised Debts Team is fully operational. The legal and finance teams are working closely to ensure that there is a robust approach taken to recover debts so that deadlines for referrals to the legal team are strictly adhered to and where litigation is advised it is commenced in a timely manner. The legal and finance teams will also collaborate to develop a revised Corporate Debt Policy and Write off Policy and procedure.

Legal, Financial and HR Implications

20. There is a risk that without this work there will be further calls to increase the Council's bad debt provisions which will draw from current resources. In assessing the ability to chase the levels of capacity within Legal, Finance and HR will need to be considered. At this stage these are all risks that we are still seeking to mitigate and further updates will be brought back to this Committee.

Contact Points

Specific Contact Points for this report

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Background Papers

In the opinion of the proper officer (in this case the Chief Finance Officer) there are no background papers relating to the subject matter of this report.