

Resources Scrutiny Commission

18 September 2019



Report of: Mike Jackson, Executive Director Resources / Denise Murray, Service Director, Finance

Title: Financial Debt / Arrears across the Council

Ward: All

Officer Presenting Report: Martin Smith

Contact Telephone Number: 0117 97 55744

Recommendations:

1. Note this report provides a high level view of debt across the Council and details the progress being taken to provide business efficiencies in respect of sundry debt.

The significant issues in this report are:

1. Functionality of core line of business system for invoicing and collection of sundry debts ensuring fit for purpose thereby providing optimal functionality to support service areas.



1. Summary

This paper provides a high level overview of the debt position across revenues, benefits, parking services, housing (domestic rent) and sundry debt (including adult social care) and details the steps being taken to improve collection and minimise sundry debt. There is also further in depth analysis on the sundry debt position contained within the appendices.

2. Context

2.1. The Council sends invoices, bills and demand notices in respect of various statutory and non-statutory charges. The methods for the billing and recovery of statutory charges are prescribed by statute whereas those in respect of non-statutory debts are less prescribed.

2.2. The Council collects income from many streams; some of this activity is governed by legislation while others by sound principles of financial management. The key to economic, efficient and effective income management is the creation and maintenance of a clear framework that sets out the approach, principles and strategy within which all activities will be conducted.

2.3. It is essential that all monies due are collected effectively by the Council, and that debt owed to the Council is kept to a minimum. This is because the Council has both a legal duty and a responsibility to its citizens to ensure that income due is paid promptly.

2.4. Effective income management processes are critical to the delivery of overall Council service objectives. An efficient income management process contributes to the availability of resources for wider or deeper service provision. Every pound of income that is not collected or takes extra effort to collect leads to one or two potential outcomes namely:

- A resource needing to be taken from the overall service budget to compensate for the cost of collection, for example charging order costs; or
- Loss of income for the Council which results in an increased bad debt provision or write off.

2.5. This briefing paper and appendices detail and highlights the current processes for the billing, collection and recovery of monies owed to the Council and the debt position across a number of service areas as well as the work ongoing to improve collection in respect of sundry debt.

2.6. Current position

2.6.1. Overarching level of debt per debt type as at 01 Apr 2019 are shown in the table overleaf (see appendix for further detail).

Debt Type	Debt Level
Council Tax (exc Chg Ord £622k)	£13.8m
Non-Domestic Rate	£5.3m
Overpaid Housing Benefit (Debtors) ¹	£8.8m
Sundry Debt ³ (exc Chg Ord £1.53m)	£39.1m
Housing Rent (Current Tenant) ²	£6.7m
Housing Rent (Former Tenant) ^{1,2}	£2.4m
Other HRA ^{1,2}	£2.2m
Parking Services ^{1,2}	£2.1m
Total	£89.4m

¹ This figure is subject to annual fluctuations as these debt types are billed on an 'as required' basis.

² These debt types are collected outside of revenues.

³ Some of this debt is billed on as 'as required' basis. Excludes any debt secured by charging order (HASSASSA or DPA).

Sundry debt arrears, which are the focus of this paper, were £39.1m at 01 Apr 2019; however for the purpose of providing the latest information further detail is based on 30 Jun 2019 (quarter 1).

2.7. Sundry Debt

The total sum outstanding respect of sundry debt at the end of quarter 1 was £46.4m. The table below compares this figure with that as at 01 Apr 2019 and shows an overall reduction in older debt. The increases in the sums unpaid for up to 90 days and up to 365 days are not unusual at this time within the financial year and are expected to decrease over the coming months. Further information is contained in the appendices.

	Up to 90 Days	90 - 365 Days	Over 1 year	Total Outstanding
31/03/2019 Total	20,304,864.68	7,762,884.10	11,058,037.69	39,125,786.47
30/06/2019 Total	23,235,896.78	12,837,796.24	10,355,489.69	46,429,182.71

The sundry debt team is made up of seven full time equivalent officers collecting a debit of circa £130m per annum hence the reliance on service areas taking some ownership of unpaid invoices issued within their area.

2.8. Positives

2.8.1. Temporary resource in adult social care delivered targeted activity which has helped to reduce the level of older debt.

2.8.2. Centralisation of debt recovery has provided a more consistent approach to debt recovery and an increased focus.

2.8.3. Additional funding has been identified following a review of budgets which will provide additional resources to assist in the collection of sundry debt.

- 2.8.4. Sundry debt reporting is now included in the monthly financial monitoring reports by service area.
- 2.8.5. Engagement with individual service areas is providing focus on unpaid invoices within those areas.
- 2.8.6. The ethical debt project will deliver new and improved collection processes in respect of sundry debt once these have been embedded for other debt types. The project will include a refresh of our policy on dealing with debts Council wide.

2.9. Challenges / Areas for Further Improvement

- 2.9.1. The Council's exposure to sundry debt is exacerbated both by limited functionality of core line of business systems and by increases in adult social care debt which have led to increases in bad debt provision.
- 2.9.2. The limitations of the current processes (workflow) within the line of business system prohibit timely interventions and actions. The current workflow process does not provide for the automatic progression of invoices to debt recovery post reminder post budget holder agreement, nor has the debt recovery specific module been implemented. These matters cause delays in recovery activity. In conjunction with this the workflow for write off is cumbersome and needs to be streamlined.

ACTION BEING TAKEN: Workflow being rewritten and new modules implemented to create and deliver business efficiencies.

- 2.9.3. When the line of business system was introduced all training was 'self-taught' with no physical face to face training provided for internal teams. The absence of a full training manual and process guide hampers changes to process and procedures and the implementation of modules and knowledge management across the wider user group.

ACTION BEING TAKEN: Full and concise training manual to be created to aid users.

- 2.9.4. The line of business system has not been configured to provide a full reporting suite in respect of sundry debt resulting in a lack of oversight and drill down capability requiring extensive manual exercise. This will enable full and regular reporting to EDM's.

ACTION BEING TAKEN: Internal teams are working together to create and deliver an appropriate reporting resolution within the resources available. Reports detailing outstanding invoices and debt are circulated at Directorate level.

- 2.9.5. Bad debt provision is currently held centrally. This means that invoices are at risk of being unpaid are not written back to service budgets. Write offs are reflected in budgets once actioned but the existing process is cumbersome. Combined these matters reduce the incentive to ensure correct and proper invoicing and timely recovery of outstanding monies.

ACTION BEING TAKEN: Bad debt provision and write offs to be written back to service budgets on a monthly basis to allow for proper budget management, provide accountability and encourage timely resolution of unpaid invoices.

2.9.6. Care Act guidance suggests embedding the initial stages of the recovery of care debt within social care teams. This was previously trialled and if maintained will deliver ongoing benefits to service users and the Council's overall debt position.

ACTION BEING TAKEN: The adult social care service is investigating the most effective way to utilise resources to deliver efficiencies which will improve the Council's sundry debt position.

3. Policy

Not applicable.

4. Consultation

a) Internal

Impacted service areas.

b) External

None.

5. Public Sector Equality Duties

- 5a) Before making a decision, section 149 Equality Act 2010 requires that each decision-maker considers the need to promote equality for persons with the following "protected characteristics": age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, sex, sexual orientation. Each decision-maker must, therefore, have due regard to the need to:
- i) Eliminate discrimination, harassment, victimisation and any other conduct prohibited under the Equality Act 2010.
 - ii) Advance equality of opportunity between persons who share a relevant protected characteristic and those who do not share it. This involves having due regard, in particular, to the need to --
 - remove or minimise disadvantage suffered by persons who share a relevant protected characteristic;
 - take steps to meet the needs of persons who share a relevant protected characteristic that are different from the needs of people who do not share it (in relation to disabled people, this includes, in particular, steps to take account of disabled persons' disabilities);

- encourage persons who share a protected characteristic to participate in public life or in any other activity in which participation by such persons is disproportionately low.

- iii) Foster good relations between persons who share a relevant protected characteristic and those who do not share it. This involves having due regard, in particular, to the need to –
 - tackle prejudice; and
 - promote understanding.

5b) There is no requirement for an EqIA as this report is only providing a position statement.

Appendices:

- Appendix 1: Debt Current State Assessment slide deck
- Appendix 2: Debt Current State Assessment report

LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985

Background Papers:

- Background Paper 1: Care Act 2014: Care and support statutory guidance Annex D – Debt Recovery (see www.gov.uk/government/publications/care-act-statutory-guidance/care-and-support-statutory-guidance#AnnexD)