

Agenda Item No 2.

DEBT RECOVERY - LEVEL OF OUTSTANDING DEBT – UPDATE REPORT

To: **Audit and Accounts Committee**

Date: 11th June 2019

From: LGSS Head of Revenues and Benefits

Electoral Division(s): **All**

Purpose: **To update the Committee on actions being taken to control and manage debt.**

Key Issues: **The levels of aged debt in Cambridgeshire have been increasing and the Committee is seeking re-assurance of management actions and progress being made in the management of debts owed to the Council.**

Recommendation: **The Committee is asked:**

- a) To note the actions and approach being taken to manage income collection and debt recovery**
- b) Agree that a further update will be provided to the January 2020 Committee**
- c) Note the outputs and outcomes the service are aiming to achieve over the next 6 months**

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1. BACKGROUND

- 1.1 Members have been monitoring the position with outstanding debt having noted that Cambridgeshire County Council (CCC) needed to lower the level of operational debt outstanding. Reduction targets for the 2018/19 financial year were put in place to track progress.
- 1.2 This report is an update following the previous report presented to both the Audit and Accounts and General Purpose Committee meetings in January 2019 and sets out the current position and the actions being taken to reduce debt.

2 ACTIVITY UPDATE

- 2.1 For the purposes of like for like comparison this report provides an update against the tables and metrics provided as part of the report in January 2019.
- 2.2 However a revised reporting pack is under development and is proposed for future meetings, in order to provide better visibility of debt management, current collection rates and data under-pinning performance in debt recovery.
- 2.3 Since the last update, the reports below highlight the activity and progress over recent months to pursue overdue debts:
 - All 2019 debts are following our debt management procedure provided at **Appendix A** to ensure that they are all in a managed position and none of the debt remains inactive for long periods.

Recovery letters Issued between 1st April 18 and 31st March 19

CCC P1 - P12	Number of notices	Value (£)
Reminder	11,035	54,032,315
Final Notice	7,801	16,889,213
Letter Before Action	7,988	14,870,902
Total	26,824	85,792,430

- A process is being undertaken to review all aged debts to ascertain the stage of recovery and to move these debts into a fully managed position. This cleansing process will identify opportunities for recovery, referral to collection agents, to regulated legal providers or write off.
- In terms of cases that are placed with LGSS Law, these cases have been reviewed with some cases being called back for action within the

service and others continuing to be pursued through the courts. Recovery through the courts does carry cost to CCC and therefore action is carefully considered before and during proceedings.

- A new service is supporting debt management in CCC by using existing Collection Agents utilised by the LGSS Revenues and Benefits service supporting debt recovery. Collection as part of the framework set up by LGSS Revenue and Benefits (R&B) is based on 0% commission on these debts will ensure value for money for CCC. Previously commission of 15% was charged by agents and this change represents value for money in collection of debts.
- High value debts are being regularly targeted and payment sought. The top 20 overdue accounts total £8.6m of the £20.3m outstanding, securing payment of these overdue amounts will support reducing the overall arrears at CCC.
- Bad debts will also be moved through to write off and an estimated £1.5m will be written off in 2019/20. Since April the service have already identified £75,523 of write offs that are now to be processed. The debt will be uncollectable on the grounds that the debt is be uneconomical to pursue, the customer is deceased, and that all methods of recovery available to the service have been considered.
- After a period of significant turnover and problems with recruitment the team in The Octagon is now at full establishment, newer members of staff are reaching the end of their training period and further staff development will be undertaken to improve skills and knowledge. Having an effective and stable resource in place to manage demand in the service is of course critical and resourcing levels will continue to be reviewed as the aged debt position is cleansed over the coming months.

2.4 This table lists debts over 1 year old and the debt recovery stage as at on the 31st March 2019.

Recovery Stage	Adult Social Care £m	Sundry Debt £m
Active	0.491	2.107
Secured or on a Payment Plan	0.857	0.068
Agency / Legal	0.170	0.011
Budget Holder	0.401	0.082
Not controlled by the Debt Team	0.204	0.001
Deceased	0.910	0
Awaiting Write Off	0.001	0
Total	3.034	2.269

- 2.5 The service also tracks the overall % collected for Adult Social Care and Sundry Debtors over the life of the debt. The tables below show the current %:

Adult Social Care invoices (ASC) Invoices Raised & Cleared 2018/19

Period	Month End	Value	Volume
P1	April	94%	95%
P2	May	95%	95%
P3	June	99%	94%
P4	July	93%	94%
P5	August	95%	93%
P6	September	68%	93%
P7	October	97%	93%
P8	November	98%	96%
P9	December	80%	92%
P10	January	94%	89%
P11	February	81%	84%
P12	March	70%	83%

Sundry Invoices Raised & Cleared 18/19

Period	Month End	Value	Volume
P1	April	100%	99%
P2	May	99%	99%
P3	June	99%	98%
P4	July	96%	97%
P5	August	96%	94%
P6	September	97%	96%
P7	October	97%	96%
P8	November	98%	94%
P9	December	99%	93%
P10	January	89%	91%
P11	February	84%	83%
P12	March	66%	75%

This continues to demonstrate that the majority of invoices raised during the year are being collected. However the debt service are finalising an improvement plan which includes closer working on end to end processes for income and collection. Meetings are being held with Finance operations and wider teams that support income and debt management to discuss the end to end service with the aim of resolve issues at the income collection stage that impact on the recoverability and to increase the amount of time debt officers have to actively chase debt rather than resolving queries on the validity of a debt.

3 KEY PERFORMANCE TARGETS

- 3.1 The targets agreed at Committee in September 2018 and reviewed in January 2019 were for the following debt reductions for 2018/19 against a 31 March 2018 baseline as tabled below:

	Adult Social Care	All other Sundry Debt
91+ day debt Target 31/03/19	£3.37m	£1.71m
91+ day debt as at 31/03/19	£4.91m	£3.41m
Difference	£1.54m	£1.70m

#excludes payment plans and secured debts

- 3.2 When factoring in debt owed to what are deemed as 'safe debtors' for this period, the totals would show progress as follows:

	Adult Social Care	All other Sundry Debt
91+ day debt Target 31/03/19	£3.37m	£1.71m
91+ day debt as at 31/03/19	£3.81m	£1.21m
Difference	£0.44m	(£0.50)m

#excludes payment plans and secured debts

- 3.3 It is recognised that these 'safe debts' are yet to be recovered, however £3.3m is not in the control of the debt team, although the debt team are satisfied that steps are being made to resolve disputed outstanding balances and progress is expected to resolve these over the coming months particularly in relation to LGSS Law and Clinical Commissioning Groups (CCG) / NHS debts.
- 3.4 Key Performance indicators for the service are being agreed. At this stage an indicator is being proposed that monitors the % of debt in fully managed stages. This moves away from focusing just on the value of

outstanding debt and additional measures will provide demand figures alongside the traditional value outstanding. At a summary level these will be:

- KPI measuring debt management % within the LGSS Debt Team
- KPI measuring debt management % that is outside of LGSS Debt management team control
- Overall KPI showing % managed combined

Measures will include:

- % collection rate vs total value billed
- Volume of Invoices
- Credit Notes numbers
- Movement of bad debts by value and number of invoice numbers outstanding (to track progress on collection and writing off of unrecoverable debts)
- Overall debt outstanding at CCC and forecasted reduction

3.5 It is expected that the stable resourcing of the team together with the improvement plan that is being put in place will deliver an expected reduction in overall outstanding debt at CCC by the end of December 2019. Profiling can be difficult with these debts, particularly sundry debtors (non - adult social care) where one –off high value invoices for planning obligations can affect the profile however the forecasted position is for debt to be around £12m against existing debt levels of £16.8m.

List of Appendices

Appendix A – Recovery Process flowchart