

DEBT MANAGEMENT UPDATE

To: **Audit and Accounts Committee**

Date: **22nd September 2020**

From: **LGSS Head of Revenues and Benefits**

Electoral Division(s): **All**

Purpose: **Debt Collection Update**

Key Issues: ***The Committee has specifically asked for details of progress on the management of debts owed to the Council with quarterly updates on agreed reporting requirements. In addition, at the July Committee meeting a specific update was also requested on two large debts (including that owed by Cambridge and Peterborough NHS Clinical Commissioning Group CCG) to be included on the current meeting formal agenda.***

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 on the position at the end of Quarter 4 2020/21**

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BACKGROUND

1.1 This report is an update following the previous report presented to the Audit and Accounts Committee meeting in January 2020 and sets out the current position with regard to collection of 2019/2020 debt as well as progress made within Quarter 1(Q1) of 2020/21.

1.2

As agreed at the previous Audit and Accounts Committee this report will consist of the quarterly update using the three key performance indicators identified:

- (a) Collection Rates
- (b) Overall Debt Movement
- (c) Classification of Overdue Debt to monitor 'Total Debt Issue'

2. KEY PERFORMANCE INDICATORS

2.1 Collection Rates

2.1.1. The service tracks the overall % of invoices raised and cleared over the life of the debt. The table below shows the current % collection rates for invoices raised in 2019/20 financial year as at 1st September 2020:

Collection of 2019/20 invoices by month raised

Value	Apr-19	May-19	Jun-19	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19	Jan-20	Feb-20	Mar-20
Invoiced (£m)	22.55	7.27	18.38	9.17	6.18	8.32	20.49	20.12	6.67	19.81	14.94	30.50
Collected (£m)	22.31	7.21	18.15	8.71	5.97	7.79	20.02	19.49	6.29	18.86	14.28	28.30
In Year Collection	99%	99%	99%	95%	97%	94%	98%	97%	94%	95%	96%	93%
Volume												
No. of invoices issued	4,391	5,017	5,314	5,206	4,079	4,717	4,351	6,465	4,130	8,720	5,856	4,732
No. of Invoices cleared	4,217	4,876	5,086	4,912	3,852	4,455	4,080	5,969	3,861	7,874	5,304	4,117
Collection Rate by volume	96%	97%	96%	94%	94%	94%	94%	92%	93%	90%	91%	87%

2.1.2 The table below shows the current % collection rates for invoices raised in 2020/21 financial year as at 1st September 2020:

Collection of 2020/21 invoices by month raised

Value	Apr-20	May-20	Jun-20	Jul-20
Invoiced (£m)	41.39	4.36	34.81	11.81
Collected (£m)	39.89	4.04	32.18	9.59
In Year Collection	96%	93%	92%	81%
Volume				
No. of invoices issued	5,175	576	4,173	6,694
No. of Invoices cleared	4,480	491	3,463	5,436
In Year Collection Rate by volume	87%	85%	83%	81%

This indicator demonstrates that the majority of invoices raised during the year are being collected promptly with the % collected increasing the further an invoice moves through the initial recovery cycle.

2.1.3 The collection rate for invoices billed in 2019/20 as at 1st September 2020 is as follows:

Summary of collection for 2019/20 invoices

Value	Total 2019/20
Invoiced (£m)	184.40
Collected (£m)	177.37
In Year Collection	96%
Volume	
No. of invoices issued	62,978
No. of Invoices cleared	58,603
Collection Rate by volume	93%

2.1.4 The current collection rate for invoices billed in 2020/21 so far is:

Summary of collection for 2020/21 invoices

Value	Total 2020/21
Invoiced (£m)	92.38
Collected (£m)	85.70
In Year Collection	93%
Volume	
No. of invoices issued	16,618
No. of Invoices cleared	13,870
Collection Rate by volume	83%

This will continue to increase as the debt continues through the recovery cycle.

2.2 **Movement in Overall Debt**

The debt recovery function moved into the LGSS Revenues & Benefits service at the end of February 2019. A high level comparison of the overall Cambridgeshire County Council (CCC) debt movement through 2019/20 and into Q2 2020/21 indicates an £6.77m improvement in the overall debt position whilst managed by LGSS Revenues & Benefits.

Movement in overall debt position since 1 March 2019

Overdue Debt £m							
	1-30 days	31-90 days	91-183 days	184-365 days	366-730 days	Over 730 days	Total
01/03/2019	12.01	2.72	3.05	4.97	3.63	1.77	28.15
01/10/2019	2.20	1.64	2.21	2.89	6.26	1.73	16.93
01/01/2020	12.22	2.42	2.19	2.60	5.53	1.88	26.84
01/04/2020	2.75	2.40	2.36	2.31	5.40	1.68	16.90
01/09/2020	2.43	3.19	4.50	3.20	3.47	4.59	21.38
Movement	(9.58)	0.47	1.45	(1.77)	(0.16)	2.82	(6.77)

The above table demonstrates that whilst aged debt is continually being cleared, evidenced by the reduction in overall debt at the end of Q4, and a further reduction into 20/21 Q2. There are always new invoices being raised so there will always be debt reported as outstanding. A continuing focus is reviewing our oldest and largest debts.

- 2.3 In order to examine further the movement in aged debt that has taken place an analysis has been undertaken of the debt that was outstanding at 1 March 2019 and the position of those debts at the end of Q2, Q3, Q4 2019/20 and into Q2 2020/21.

Analysis of current position of invoices that were unpaid as at 1 March 2019

	Not Yet Due £m	Overdue Debt £m						
Balance at	0 days	1-30 days	31-90 days	91-183 days	184-365 days	366-730 days	Over-730 days	Total
01/03/2019	7.38	12.01	2.72	3.05	4.97	3.63	1.77	35.53
01/10/2019	0.90	0.40	0.39	1.71	3.83	2.43	1.18	10.84
01/01/2020	0.51	0.26	0.33	1.54	3.60	2.30	1.04	9.58
01/09/2020	0.29	0.23	0.23	1.39	3.19	0.89	0.73	6.95
Movement	(7.09)	(11.78)	(2.49)	(1.66)	(1.78)	(2.74)	(1.04)	(28.58)

Of the £35.53m total debt that was outstanding at 1 March 2019, (this included invoices that which were not yet due for payment at that time), only £10.84m remained unpaid at 1 October 2019. By 31 December 19 £9.58m remained unpaid and at 1 September 2020 the balance had further reduced to £6.95m, a reduction in debt of £28.58m.

The most significant movement in the debt is realised in the earlier stages of recovery demonstrating the effect of our focus on ensuring that new debt does not become aged debt. At the end of 2019/20 Q3 we also said we were reviewing our oldest debts and this shows in the reduction of debt that was between 366 and 730 days has reduced by £2.74m (75%).

2.4 **Classification of Overdue Debt to identify Debt Issue**

The classification and analysis of debt is imperative in order to recognise from the total outstanding debt what should be considered as a “debt issue”. Through improved reporting we are now able to produce a simple table to show this transparently and this allows the debt team to focus resource on the recovery of ‘problem’ aged debt.

The table at 2.2 above provides an overall debt figure of £21.38m as at 1 September 2020. However within this figure £6.5m is owed by Cambridge and Peterborough NHS CCG and £0.05m from LGSS Law. The collection from both of these is currently monitored and managed by CCC Finance team rather than the debt team. The overall debt under the management of the debt team is £14.8m. This can be further broken down to identify ‘problem debt’ or the actual debt where collection is or may be an issue and is currently under recovery by the debt team.

A summary update regarding the large outstanding balances due from Cambridgeshire and Peterborough NHS has been provided by Finance under a separate cover. See attachment CCG Debt Update at Appendix A.

01/09/2020 Debt breakdown

	Total Overdue £m	Pre 18/19 Overdue Debt £m	Post 18/19 Overdue Debt £m
Total Overdue Debt with Debt Team	14.82	1.60	13.22
Already earmarked for write off	-0.14	-0.06	-0.08
Unallocated Credit Notes	-1.76	-0.42	-1.34
Secured via instalments	-1.46	-0.38	-1.08
Secured against a property	-0.17	-0.15	-0.02
Service area disputed - payment delay (a)	-1.65	-0.18	-1.47
Total Debt Issue	9.64	0.41	9.23

(a) These are invoices that have been disputed by the customer after being raised and are currently under investigation by the service area and debt recovery action is suspended until the review is completed. They will return to recovery if the dispute is dismissed.

3. Summary

- 3.1 It was predicted in the June 2019 report that with stable resourcing of the team together with the improvement plan put in place by LGSS Revenues & Benefits the service would deliver an expected reduction in overall outstanding debt (£) at CCC and this has been achieved.
- 3.2 The % of invoices cleared after 90 days for 2019/20 was 93% of the value raised compared to a CIPFA benchmarking average of 87% (2.1).
- 3.3 The high level comparison of the overall CCC debt position at 1 March 2019 and 1 September 2020 shows an £6.77m improvement in the overall debt position (2.2)
- 3.4 With debt profiling now in place and reported on, it is possible to report excluding debt that is not managed by the Debt Team (Cambridge & Peterborough NHS CCG & LGSS Law). Taking this into account the total overdue debt position at 1 September 2020 was £14.82m of which £9.64m is currently under recovery by the Debt Team. (2.4)
- 3.5 Further work continues to improve, review and cleanse aged debt and to review debt currently marked as in dispute with the service area. LGSS Revenues & Benefits is working closely with CCC service areas to ensure that processes and procedures are in place to minimise the accrual of bad debt. Work is being undertaken to create a collectability matrix for overdue debt to assist in budgeting and forecasting of future bad debt provision requirements.

Background Papers: CCG Debt Update.