

LEVEL OF OUTSTANDING DEBT

To: **Audit and Accounts Committee**

Meeting Date: **21st January 2019**

From: **LGSS Interim Finance Director**

Electoral division(s): **All**

Forward Plan ref: **Not applicable** *Key decision:* **No**

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

Recommendation: **The Committee is asked:**

- a) To note the actions being taken to manage income collection and debt recovery.**
- b) Agree that a further update will be provided in May 2019**

<i>Officer contact:</i>		<i>Member contacts:</i>	
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1 BACKGROUND

- 1.1 Members noted that Cambridgeshire County Council (CCC) needed to lower the level of operational debt outstanding and agreed reduction targets for the 2018/19 financial year.
- 1.2 This report is an update following the previous report presented to both the Audit and Accounts and General Purpose Committee meetings in September 2018 and sets out the current position and the actions being taken to reduce debt.

2 ACTIVITY UPDATE

- 2.1 Since the last update, the below set of reports highlight the activity and progress over recent months to pursue overdue debts:

- 2.1.1 Debt notices are being issued in accordance with the agreed collection strategy as they become overdue for payment. Listed below are the notices issued between 1st April 2018 and 31st December 2018 for all income types.

CCC P1-P9	No:	Value £m
Reminder	5,599	34.519
Final Notice	4,387	10.856
LBA	2,508	6.956
Total	12,494	52.331

- 2.1.2 This table lists debts over 1 year old and what debt recovery stage they are at.

Recovery Stage	Adult Social Care £m	Sundry Debt £m
Active	0.621	1.511
Secured or on a Payment Plan	0.907	0.061
Agency / Legal	0.150	0.013
Budget Holder	0.261	0.034
Deceased	0.791	-
Awaiting Write Off	0.174	0.027
Total	2.905	1.646

The collection process is that once the standard suite of reminder, final notice and letter before action (LBA) are issued the debt is considered for either:

- Manual intervention by phone, email, visit.
- Referral for Legal Action.
- Referral to external debt collection agencies
- Preparation for write-off.

The above report shows how much debt is secured or on a payment plan, referred back to the budget holder or out with 3rd parties. The remainder is either going through the process for deceased customers, awaiting approval to write-off or being actively pursued for payment by our debt recovery team.

2.1.3 The ERP system includes reports not previously available, including the below table showing the percentage number and value of invoices billed and cleared in 2018/19.

Period	Month End	Value	Volume
P1	April	97%	94%
P2	May	96%	94%
P3	June	98%	94%
P4	July	82%	93%
P5	August	93%	91%
P6	September	78%	88%
P7	October	91%	87%
P8	November	81%	91%

This shows that for all income types by value and volume the majority of invoices raised during 2018/19 are being collected. This report (not previously available on the Oracle system) will also allow CCC's collection performance to be measured against other Local Authorities via next year's CIPFA debtors benchmarking report.

3 KEY PERFORMANCE TARGETS

3.1 The targets agreed at Committee last September 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 as at 31/03/18	£3.655m	£2.007m
Reduction %	8%	15%
Reduction value	£0.286m	£0.298m
91+ day debt Target 31/03/19	£3.369m	£1.709m

excludes payment plan and secured debts

3.2 Debt over 90 days old at each of the last 3 month-ends are shown in the below table against the above targets.

Debt aged over 90 days #	Year End Target	31/10/2018	30/11/2018	31/12/2018
	£m	£m	£m	£m
Adult Social Care	3.37	4.74	4.06	4.42
Sundry	1.71	1.90	2.85	2.47

excludes payment plan and secured debts

3.3 Whilst these quarter 3 figures show that debt is still higher than the year-end target, recovery activity in quarter 4 will further reduce debts by 31st March 2019.

3.4 No irrecoverable debt has been written-off during 2018/19 but cases are being prepared for the s.151 officer to review and approve.

4 BENCHMARKING

4.1 The annual Chartered Institute of Public Finance and Accountancy (CIPFA) debtors benchmarking club report (previously requested by this Committee) shows that for 2017/18 the level of CCC's debts compared well across the 17 Local Authorities that took part. The report is attached and highlights the following:

- The cost of the debt recovery service provided by LGSS per £'000 billed debit was the second lowest at £1.10 compared to the average of £2.82. Only one Local Authority was slightly lower with the other 15 all costing more.
- 46% of CCC outstanding invoices were over 90 days old compared to an average of 62%. Only 3 Local Authorities had less invoices outstanding over 365 days old.
- CCC had the highest percentage of credit notes at 13% compared to an average of 6% which is a measure on the accuracy of invoices raised by CCC Directorates and how many need to be retrospectively changed.
- On debtor days, CCC performed well against the other Local Authorities for debts over 90 days old with Sundry debts at just 4 debtor days compared to the average of 13 and Adult Social Care debts at 49 debtor days compared to the average of 67.
- Staffing costs measured by £'000 per FTE were low for CCC at £24.38 compared to the average of £27.65 across all 17 Local Authorities.

5 STAFF RECRUITMENT AND RETENTION

5.1 During 2018/19, staff recruitment and retention has been a significant challenge for both the debt and income teams. Whilst some staff churn will always occur, the scale of this during the last 9 months is unprecedented and has impacted on our ability to pursue debts.

5.1.1 The below table shows the level of CCC debt team staffing at month-end:

Month-end	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan
% staffed	100	78	78	56	56	56	56	56	78	78	89

5.1.2 The loss of experienced staff takes a while to re-establish as new staff are recruited and trained. Vacancies advertised for permanent staff have not attracted sufficient numbers and calibre of applicants. Agencies have provided temporary interim staff but invariably they don't stay long as they secure better paid jobs elsewhere. More recently, staffing levels have started to increase following a concerted recruitment drive. Additional steps are being considered to further stabilise the staffing situation.

6 ACTIONS BEING TAKEN TO REDUCE DEBT

6.1 Listed below are the actions being taken to reduce debt:

- Reconciliation of unmatched payments to outstanding invoices
- Additional outbound calling to chase overdue payments
- Piloting alternative agencies for debt chase and litigation
- Training staff to be multi-functional between teams
- Implementing personal KPI's in addition to those for team performance
- Preparing irrecoverable debts for write-off

7. ALIGNMENT WITH CORPORATE PRIORITIES

7.1 Developing the local economy for the benefit of all

There are no significant implications for this priority.

7.2 Helping people live healthy and independent lives

There are no significant implications for this priority.

7.3 Supporting and protecting vulnerable people

There are no significant implications for this priority

8. SIGNIFICANT IMPLICATIONS

There are no significant implications within this category.

Implications	Officer Clearance
Have the resource implications been cleared by Finance?	Yes Name of Financial Officer: Chris Malyon
Have the procurement/contractual/ Council Contract Procedure Rules implications been cleared by the LGSS Head of Procurement?	Not Applicable
Has the impact on statutory, legal and risk implications been cleared by LGSS Law?	Not Applicable
Have the equality and diversity implications been cleared by your Service Contact?	Not Applicable
Have any engagement and communication implications been cleared by Communications?	Not Applicable
Have any localism and Local Member involvement issues been cleared by your Service Contact?	Not Applicable
Have any Public Health implications been cleared by Public Health	Not Applicable

Source Documents	Location
Level of Outstanding Debt Report to audit and Accounts Committee – September 2018	https://cmis.cambridgeshire.gov.uk/ccclive/Committees.aspx