

New Income Code of Practice for Somerset County Council

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Cabinet Member: David Hall

Division and Local Member: All

1. Summary/link to the County Plan

- 1.1. This covering report is to highlight key areas within the new Income Code of Practice, and to explain to members how it is intended to launch and to follow up the new Code to ensure compliance.
- 1.2. The achievement of good performance in this area is linked to the County Plan in relation to “bring in more funding and resources”.

2. Issues for consideration

- 2.1. Members are asked to endorse and support the new Income Code of Practice for the County Council.

3. Background

[N.B. To avoid bombarding Audit Committee members with significant additional paperwork, it was decided not to include the various embedded appendices to the Code in the paperwork. These are mostly templates and forms for officer use, and are not essential to understand the overall Code and what is proposed].

- 3.1. One of the key findings in the SWAP Debt Management report was that the previous Income Code of Practice was out of date and not robust enough in setting out what was required from the relevant officers involved in debt recovery.

The Income Code of Practice will be issued under the powers of the Director of Finance and Performance, effectively as part of Financial Regulations. As such, it is no longer advisory and best practice; it is mandatory and must be complied with in collecting debts owed to the County Council. It will take on board the specific points of governance raised in the audit.

It is very much the expectation of Finance managers that officers who continually fail to comply with the Code, (following suitable training and guidance from the Accounts Receivable team), will be treated as having performance management issues.

- 3.2.** One of the key points in the Income Code of Practice is the assignment of roles and setting out the responsibilities requirements under each of those roles.

Senior officers within service are paid to be budget holders within the County Council, and are therefore required to consider the income coming into their budgets. They must ensure that there are sufficient officer resources available to act as Debt Chasers, who will be the first line of debt recovery until handing over to the Legal Debt Recovery Officer at pre-determined points.

The Accounts Receivable team will provide system support and development, plus training and specialist support across all the functions, but will also be responsible for policing the Code and reporting non-compliance.

The Legal Debt Recovery Officer's (LDRO) role has been spelt out in greater detail, and the Code is clear that once a debt has been assigned to the LDRO then it will be for her to decide on the next steps to recover the money.

- 3.3.** There are a number of strong messages within the Code itself that officers would highlight to the Audit Committee.

As endorsed by the Audit Committee at its June 2017 meeting, the County Council will continue to seek payment in advance or at the time of the provision of goods or services, to avoid any risk of non-payment. The new Code is only to deal with cases where the County Council accepts the need to raise invoices. (Section 5).

It will remain the default position of the County Council to commence legal proceedings where debts are not paid in a timely manner, and to impose interest and Court costs into the debtor (Section 6).

The need for a suitable audit trail on SAP will continue to be emphasised in order to put the County Council in the best position to recover the debt (particularly under the Pre-Action Protocol).

The number of exceptions to the standard debt recovery process has been reduced. Services are not allowed to vary from the Code unless they have a specific exemption, or individual cases have been agreed by specific officers as set out in the Code (Appendix 8).

- 3.4.** The plan to "launch" and implement the new Income Code of Practice is as follows:-

Core Brief will be used to ensure that the new Income Code of Practice is communicated to all staff. Further targeted communications will then follow to key system users.

All current Debt Chasers will be contacted about their role, and any training needs assessed and delivered. (This has already taken place in some areas, where training and support to similar services, e.g. all highways areas, has been provided). It is envisaged that training will continue to be rolled out through small groups of Debt Chasers who have similar services issues.

Any positive suggestions coming back on the new Income Code of Practice will be welcomed, and the Code will be initially reviewed after the end of this financial year. The Code is intended to be regularly reviewed thereafter, and should remain a “living document”.

Debt performance figures will continue to be monitored at the Finance Management Team meetings and on the Finance Scorecard, and at Cabinet and Audit Committee public meetings.

Accounts Receivable staff will police the key requirements of the Code (e.g. dunning blocks, time to write-off debts, time to refer debts to the LDRO, correct use of credit notes and Print to Post etc) and will report significant non-compliance to the Finance Management Team in the first instance.

- 3.5.** In addition to the work on rolling out the new Income Code of Practice, work is continuing to try and move to payment being obtained either prior to, or at the time of provision of goods or services. We continue to review where it is possible to cut out the need for debt recovery entirely by insisting on payment in advance on a service by service basis.

4. Consultations undertaken

- 4.1.** Consultations were carried out across the finance community, and with key staff in services. The latter in particular, were asked to justify cases where their services were previously an exception to the Income Code of Practice. In some cases, these exceptions have now been removed and the service has agreed to follow the standard debt recovery practices.

5. Implications

- 5.1.** The Income Code of Practice will become the key document for debt management and for managing performance.

6. Background papers

- 6.1.** Draft Income Code of Practice (attached).

Note For sight of individual background papers please contact the report author