

## Debtor Management Update

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Cabinet Member: Cllr Mandy Chilcott for Resources

Division and Local Member: All

### 1. Summary/link to the County Plan

- 1.1. This report incorporates an update to the Audit Committee in relation to the previous Partial audit on Debtor Management and provides information on the latest debt position and performance. Prompt and successful collection of money owed to the County Council is an important part of effective financial control.
- 1.2. There is also a response to the specific question asked at June's Audit Committee in relation to the use of bailiffs.

### 2. Issues for consideration

- 2.1. Members are asked to consider the progress in relation to the auditor's recommendations on the SWAP audit (Appendix 1).
- 2.2. Members are asked to consider the current debt collection performance and the outstanding debts owed to the County Council (Appendix 2).

### 3. Background Information

- 3.1. A debtor management audit is included in the Internal Audit Plan every year. Members will recall that for the last 2 financial years, in response to where the acknowledged risks appeared to be, the concentration has been less on the use of SAP system, and more emphasis has been placed on the service users (Debt Chasers) and their work.
- 3.2. In response to previous internal audit findings, a new Income Code of Practice was drawn up, and was endorsed by the Audit Committee at its public meeting of November 2017. It was explained that that the new Code was focussed on ensuring future changes had a positive impact to tighten up and simplify the existing procedures. Following Audit Committee, the Code was rolled out to all Accounts Receivable staff and users.

**3.3.** The audit attached at Appendix 1 shows that the majority of agreed actions from the last audit had already been completed by the time the next audit was delivered and finalised in April 2018. (The audit attached was carried out relatively quickly after the Code was launched). There are however a few recommendations made within this audit report, where further improvements are needed. Officers welcomed the report, because it provides useful intelligence on where to concentrate the Accounts Receivable Team's efforts to ensure that service users are performing their roles in accordance with the Code and good practice. Accounts Receivable staff have, and continue to have, training sessions with particular service areas to improve compliance.

Specific responses to this audit report are included within the document itself, under the heading "September 2018 Update" in each case.

**3.4.** It was always the intention that the Income Code of Practice would be reviewed and improved once it has been implemented, to ensure that it continued to be the most effective guidance for service users. A further audit of Debtor Management is about to commence, and when this has reported (Quarter 4), then the Code will be reviewed in light of all the audits undertaken, and including the thoughts of the Accounts Receivable Team and users.

**3.5.** Appendix 2 is the regular report to Audit Committee of the debt recovery performance, focussing particularly on the aged debts. Performance as reported in June was particular strong, but unfortunately, we have fallen back slightly since. As ever, the figures can easily be distorted by the presence of a relatively small number of large, difficult to collect debts, which is clearly an issue in recent months. The category of debtors may not be a surprise to Audit Committee members. Members are reminded that the County Council regularly collects over 99% of the net debt that it raises.

**3.6.** At the June Audit Committee meeting, a specific request was made for information on the County Council's use of bailiffs as a method of debt collection. This is particularly timely, as a Treasury Committee report and National Audit Office study have both warned public bodies against aggressive use of bailiffs to pursue debts. (The study highlighted the knock-on effect this can have on residents' mental health and the eventual cost to local authorities of increased use of public health services, or the provision of more emergency and social housing for those made homeless).

The County Council does use bailiffs for some limited debt collection work, but only in specific circumstances. For us to consider engaging a bailiff, the County Council would need to have a Court Order for payment, but where we have not received payment or even a response from the debtor. As members will appreciate, only a very small fraction of our debts ever reaches the courts, particularly under the Pre-Action Protocol for individuals. Moreover, if Court Orders are obtained this is often sufficient for the debtor to commence payments. In addition, the Legal Debt Recovery Team has to judge whether the additional step of issuing a warrant and employing a bailiff is actually cost effective. With each warrant costing £110, if the debtor cannot be traced or has no funds then this becomes an additional cost to write-off.

Previous use of bailiffs has not been particularly successful, with bailiffs reporting that they are often not allowed peaceful entry to a property to assess whether the debtor has goods on which a levy can be made, or in some cases that the debtor is no longer resident at that address (we are obliged to have strong evidence of residency at an address before re-issuing a warrant).

As a result, there are currently only 9 instances where a bailiff is being used to pursue a debt on behalf of the County Council.

#### **4. Consultations undertaken**

4.1. Internal officers only.

#### **5. Implications**

5.1. Effective debt collection will ensure that monies owed to the County Council are collected fully and promptly. Failure to follow approved debt collection procedures risks cashflow losses as debts are not collected promptly, and even that debts become written off.

#### **6. Background papers**

6.1. Previous SWAP and Debtor Management reports to Audit Committee.

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