

Report to the Cabinet

Meeting to be held on Thursday, 13 September 2018

Report of the Director of Finance

Part I

Electoral Division affected:
(All Divisions);

Change to Debt Management Policy

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Executive Summary

In March 2016, the Deputy Leader approved revisions to the council's debt management policy. Under the current policy, where accounts remain unpaid following an initial reminder process, debt collection action varies according to the value of the debt:

- For debt of £25 to £1,500, debt collection is to be taken forward by debt collectors.
- For debt over £1,500, debt collection action is to be taken forward by the council's legal services.

In January 2018, Cabinet approved the procurement of a debt collection service via the supplier Debt Market Integrator. In order to enable the utilisation of this contract to greater effect and increase the levels of income recovered, it is proposed that the limit on debt referrals to a debt collection agency be removed allowing decisions on debt recovery to be determined on a case by case basis.

All other stipulations, including the procedure for the collection of social care debt, are proposed to remain unchanged from the policies and procedures agreed in 2016.

Recommendation

Cabinet is asked to approve the removal of the current £1,500 limit on debt that can be passed to the appointed debt collection agency for collection.

Background and Advice

In March 2016, the Deputy Leader approved revisions to the council's debt management policy. Under the current policy, when an invoice for payment becomes overdue, there is an initial reminder process allowing up to 7 weeks after the due date for the invoice to be paid. This reminder process ensures contact is made with all customers owing payment and seeks to:

- Highlight and reinforce the requirement to pay;
- Seek prompt settlement of the sum due;
- Give information and guidance on how to make a payment;
- Encourage immediate contact with the county council to discuss financial difficulties; or
- Address any other issues preventing payment.

Under the current policy, for accounts that remain unpaid following the reminder process, onward debt collection action varies according to the value of the debt:

- For debt of £25 to £1,500, debt collection is to be taken forward by debt collectors.
- For debt over £1,500, debt collection action is to be taken forward by the council's legal services.

The Existing Policy

Debts of £25 to £1,500

Debt collection activity will either be undertaken by in-house debt collectors or via an external debt collection agency. Cases returned by the debt collection agency or which remain unpaid following action by in-house debt collectors enter a regular case review process designed to ensure:

- Debt cases without reasonable prospect of collection are recognised as uncollectable and written off.
- Debt cases which merit further action will continue to receive appropriate follow-on activity in order to bring them to a conclusion.

Debts over £1,500

Where a debt is greater than £1,500 the debtor will receive a letter advising them of the county council's intention to commence legal proceedings. The letter before action explains the urgency of making payment or contacting the Debt Management Team within 14 days to explain any mitigating circumstances.

Unpaid invoices not identified for cancellation or placed into dispute within this 14 day period will be referred to the internal legal services team for legal action.

Proposed

Approximately 92% of the current value of accounts overdue more than 30 days have debt greater than £1,500. In January 2018, Cabinet approved the procurement of a debt collection service via the supplier Debt Market Integrator to address the capacity requirement. The contract is let for an initial period of 2 years from the first debt placement.

In order to enable the utilisation of this contract to greater effect and increase the levels of income recovered, it is proposed that the limit of debt referrals to a debt collection agency of £1,500 is removed from the council's debt management policy.

The accounts receivable team will decide on a case by case basis as to whether debt collection action should be taken forward via legal services, in house debt collectors or the external debt collection agency. This will be determined by which route is considered to present the greatest opportunity to recover the income whilst taking into account the cost of collection.

All other stipulations, including the procedure for the collection of social care debt, are proposed to remain unchanged from the policies and procedures agreed in 2016.

Consultations

N/A

Implications:

This item has the following implications, as indicated:

Financial

The overall process for debt collection is under review including the timelines for debt collection activity and the cost effectiveness of the various methods of debt recovery. Further improvements to the process will be recommended as appropriate to Cabinet.

Risk management

Failure to put in place adequate debt management policies will result in costs to the county council through uncollected income.

List of Background Papers

Paper	Date	Contact/Tel
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None

Reason for inclusion in Part II, if appropriate

N/A