

Report to: **Audit Committee**  
Date: **22 March 2018**  
Title: **Sundry Debt**  
Portfolio Area: **Support Services – Councillor S Wright**  
  
Wards Affected: **ALL**

Urgent Decision: **N** Approval and clearance obtained: **Y**

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**Recommendations:**  
**That the Audit Committee note the progress made in monitoring and administering Sundry Debt Collection.**

## **1. Executive summary**

The purpose of this report is to inform Members of the process adopted by the Council to recover outstanding sundry debt and provide an update on the position of Sundry Debt Recovery since the creation of the Debt Recovery Unit on 1<sup>st</sup> October 2017.

- 1.1 The Strategic Debt Review Update to 31<sup>st</sup> December 2017, was presented at Audit Committee 25<sup>th</sup> January 2018, Appendix D.
- 1.2 Improved monitoring and collection of Sundry Debt commenced in October 2017 with the creation of a Debt Recovery Unit as part of the restructured Case Management Team.
- 1.3 Recovery levels are much improved. Sundry debt levels were reported at £888.2k in August 2017 and £699.5k at the end of December 2017. The figure for end of February 2018 is £556k.

- 1.4 The accumulated debt level was due in part to an accumulation of aged debt which had not been written off.
- 1.5 Aspects of the Strategic Sundry Debt Recovery Plan are yet to be commenced, but are on target.

## **2. Background**

- 2.1 The Audit report to Committee on 21<sup>st</sup> September, 2017 (App. C) outlined the findings of the Strategic Debt Review and included an overview of the Debt Recovery Plan approved by SLT.

<http://mg.swdevon.gov.uk/documents/g508/Public%20reports%20pack%2021st-Sep-2017%2013.00%20South%20Hams%20Audit%20Committee.pdf?T=10>

- 2.2 The Audit Committee report on 25<sup>th</sup> January 2018 (App. D) reports the progress made in terms of approach to recovery and collection of debt, identifying outstanding debt at £699.5k, showing an improved position in the 4 month period of £188.7k.

<http://mg.swdevon.gov.uk/documents/g509/Public%20reports%20pack%2025th-Jan-2018%2014.00%20South%20Hams%20Audit%20Committee.pdf?T=10>

- 2.3 Work has been undertaken to identify Write offs for the 2017-18 financial year.
- 2.4 Money Claims Online/Interest Charging was also being investigated with a view to introduction in April 2018.

## **3. Outcomes/Outputs**

- 3.1 The one full time member of the team commenced in role on 2<sup>nd</sup> January 2018, additional support is provided by up to 6 other case managers as required.

- 3.2 By the end of February 2018 the outstanding debt was reduced by a further £144k to £556k, of which £190k accounts for only 2 debts, those being:

- A Defra invoice dated January 2018, we have been advised payment will be made before the end of the month.
- An invoice for a S106 contribution, awaiting completion on sale of the property, regular monitoring of the position is undertaken.
- Eight other debts account for £84k of the total outstanding debt. Each of which is now either subject to payment arrangements, under dispute or identified for inclusion on the April Money Online Claim listing.

- 3.3 Debt which has been identified for Write Off before the 31 March 2018 year end will be considered by the Senior Leadership Team on 14<sup>th</sup> March. A verbal update will be provided at the meeting. The majority of debt identified for write off relates to uncollectable or aged debt. Any debts over £5,000 will be subject to approval of Executive in 2018-19 and would be fully provided for in the year end debt provision.

- 3.4 Withdrawal of services has commenced in two areas;
- Assets – Four business units have been taken back as a result of non-payment and/or bankruptcy. Various other properties have been identified for similar action to be taken.
  - Trade Waste – withdrawal of services has resulted in an increase in debt recovery. Much work will be saved here when we move across to annual billing.
- 3.5 It is expected that additional Write Offs will be identified for action in 2018/19 and aged Write Offs will up to date by the end of Quarter 2 in 2018/19.
- 3.6 A full review of the debt recovery process has taken place resulting in a recommended shortened recovery period, to commence from 1<sup>st</sup> April 2018;
- 1<sup>st</sup> reminder from 21 days to 14 days
  - Final Notice from 35 days to 28 days
  - Legal Notice from 49 days to 35 days
  - No response after 7 days issue Court claim via Money Claims Online (for all debts up to £100k).
  - All debts over £5k chased by telephone throughout the recovery period.
- 3.7 Use of Money Claim Online is targeted for full commencement from 1<sup>st</sup> April 2018. A test case relating to a Commercial services debt is currently being actioned via the Court Claims system and a list is being prepared for a bulk claim during the first week of April 2018.

#### **4. Options available and Consideration of Risk**

4.1 The addition of Statutory Interest can be added to the outstanding sum via the Money Claim Online process. Charging is based on how many days late payment is made and at the published Government rate <https://www.gov.uk/late-commercial-payments-interest-debt-recovery/charging-interest-commercial-debt>.

4.2 Late Recovery Fees can also be added to each claim as allowed within Government guidelines, again this is incorporated within the Court Process. The amounts set by Late Payment Legislation are:

- Up to £999.99, charge £40.
- £1000 to £9,999, charge £70.
- £10,000 or more, charge £100.

#### **5. Proposed Way Forward**

5.1 That the Committee acknowledge the progress made in the area of Sundry Debt Collection and endorse the addition of Statutory Interest and Late Recovery Fee charging for all Court Claims.

## 6. Implications

Implications	Relevant to proposals Y/N	Details and proposed measures to address
Legal/Governance	Y	The guidelines for Statutory Interest Charging and adding recovery costs falls under the European Directive 2011/7/EU on Combating Late Payment in Commercial Transactions. Enforcing successful legal action for recovery of debt is dependent upon a robust system of ensuring correct business names are recorded within our systems.
Financial	Y	Improved income collection, resulting in less impact of uncollectable debt on the Income and Expenditure Account, due to fewer write offs.
Risk	Y	There remains a risk of income not being collected. The Debt Recovery Plan approved will seek to minimise this. The latest update report sets out the progress made in terms of approach to recovery and collection of debt and shows an improved position.
Comprehensive Impact Assessment Implications		
Equality and Diversity	N	N/a
Safeguarding	N	N/a
Community Safety, Crime and Disorder	N	N/a
Health, Safety and Wellbeing	N	N/a
Other implications	N	none

### Background Papers

Audit Committee 25<sup>th</sup> January 2018 - Strategic Debt Review