

SCRUTINY COMMITTEE

TASK GROUP REPORT NO. 10

BAD DEBTS

DECEMBER 2000

REPORT OF THE BAD DEBTS SCRUTINY TASK GROUP

Membership : Councillors Butler, Carthew (Chairman); Cornwell (ex-officio); M. Jones; Style; Treble.

Supported by Frances Kavanagh Principal Scrutiny Officer
Councillor Butler did not attend any meetings.

1. THE BRIEF

“ To investigate the way in which the collection of Bad Debts is managed”

2. INTRODUCTION

At its meeting on 12 April 2000 the Scrutiny Committee discussed the collection of income in the authority. This discussion was mainly centred around the Housing Department debt but since the transfer of the housing stock to RHP it was decided to look at other areas of income, particularly concentrating on the collection of “Bad Debt” (i.e. debt over 3 months old).

3. METHODOLOGY

3.1 The Task Group met on 5 occasions and interviewed 3 witnesses:

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|----------------|---|
| Mark Maidment | (Director of Finance) |
| Mike Gravatt | (Head of Revenues and Benefits) |
| Margaret Jones | (Income Services and Business Rates Manager). |

Councillor Treble and Frances Kavanagh also visited the Income Services Office to talk to staff about the current “DEBT” system.

3.2 Written evidence was also sought and received. Key documents included:

Reports from the previous Acting Director of Finance
Reports from the current Director of Finance and the Head of Revenues and Benefits
Extract from the Financial Regulation concerning "write offs".
Details from the DETR of published statistics for 98/99.
Extract from the latest Management Letter from District Audit
A copy of the LB Merton's analysis of income collection survey of local authorities by their Chief Auditor.
Social Services Panel Bulletin “Debt Management for Social Services” June 1999 produced by CIPFA.
Internal Audit reports – Debt Review November 1999 and VFM Review of Debt November 1999.
Various financial reports using extracted information from the “DEBT” system.

4. FINDINGS

4.1 The debt collection system is out of date. The mainframe system requires new specially written software and changes are needed to make it user friendly. It is incompatible with existing systems and cannot provide proper management information to enable the efficient collection of debt.

4.2 Staff that work with the current system do a good job. Staff are set weekly targets that are reviewed by managers. However system failures do mean that temporary staff are needed. As far as the group is aware, no clear plan seems to exist to phase out the use of temporary staff.

4.3 The evidence shows that departments are slow to deal with internal recharges and there appeared to be little evidence that departments "accept" any responsibility for bad debt. There are no consistent "write off" policies and any that do exist seem to exist on a fairly loose basis. There seemed to be confusion about the delegation of authority to write off bad debts.

4.4 Departments need to consider the suitability of equipment, training and customer care when purchasing new systems that lead to the issuing of invoices.

For example we found that the systems used to record the amount of time spent in delivering care packages to clients of the Social Services Department led to clients not being billed or being supplied with incomplete or wrong bills and that all invoices issued do not include payments terms. This involved a good deal of manual time spent by Income Services on entering information into the system, hence the need for temporary staff. We noted, however, that the Social Services and Housing Committee has recently approved the purchase of a new computer system which is expected to overcome these problems.

4.5 One of the largest single amounts owing to the Council is "Section 28a of the 1977 NHS Act" monies, held by the Kingston & Richmond Health Authority relating to for example people discharged from long stay hospitals and people with learning disabilities. The task group was made aware that negotiations were taking place to recover this debt.

4.6 The current presentation of the debt figure is inflated by the figure of interdepartmental debt.

5. RECOMMENDATIONS

5.1 The purchase of a new system should be undertaken as soon as possible. Any system purchased should be available for use by all departments and to include a training package. Compatibility of systems is essential.

5.2 Following the implementation of any new system the staffing levels in Income Services should be reviewed . If temporary staff are needed, thought should be given to making these positions permanent.

5.3 Income Services should lead on establishing a corporate bad debt “write off” policy. Thought should be given to reviewing and updating service level agreements that exist between departments. Income Services should ensure a corporate approach to the chasing of late payers. Every department and senior manager needs to be aware of the general procedures to write off bad debt.

5.4 All departments should review their own billing systems to ensure that full and proper invoices are being issued which should clearly state payment terms. Special attention should be paid to ensure that systems used by Agencies or other outside contractors, do provide the correct billing information.

5.5 Senior officers and Councillors should pay urgent attention to resolving any difficulties that result in the continued non-payment of these Section 28a monies.

5.6 Interdepartmental debt and inter-authority debt should be clearly separated from the main reported bad debt position.

6. CONCLUSION

From information received and evidence gathered we were pleased to find that despite the limitations of the current systems, Richmond Council does not have a major problem with the level of its bad debt compared to other local authorities.

However the costs to the Council are £1 million per annum and making provision for bad debts means that for the period 2000/2002, £2 million is not available for spending on services.