

## **Finance Sub-Committee**

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<b>Date of Meeting:</b>	8 <sup>th</sup> March 2023
<b>Report Title:</b>	Sundry Debt Briefing Report
<b>Report of</b>	Alex Thompson, Director of Finance and Customer Services
<b>Report Reference No:</b>	FSC/29/22-23

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### **1. Purpose of Report**

- 1.1.** To advise the Sub-Committee of the current level of sundry debt across all Council services and to provide assurances as to how this is being managed. This supports the Council's corporate objective of being "open" and the aim of "supporting a sustainable financial future for the Council".

### **2. Executive Summary**

- 2.1.** Sundry debt refers to debt arising from invoices raised by the Council for services or for repayment of monies. This could include a range of issues such as adult social care charges, commercial rents, charges for damage to highways or overpayments of pay. For the purposes of reporting these Sundry debts are split between Adult Social Care Sundry Debt (ASC SD) and Other Sundry Debt (OSD).
- 2.2.** This report refers to sundry debt owed to the Council for over 6 months. It does not include debt of less than 6 months or debt which has been deferred.
- 2.3.** The total value of sundry debt owed to the Council over 6 months old, as at January 2023, was £7M. Of this £5.7M related to Adult Social Care Sundry Debt (ASC SD) and the balance to Other Sundry Debt (OSD).
- 2.4.** Recovery rates for OSD are good and have consistently exceeded 99% over the past 3 years. Recovery rates for ASC SD have been falling over the same period and currently stand at 94.75%.

- 2.5. The majority of debt arises from relatively few council services. For Adults Social Care this relates to Care@home, residential and nursing home care fees. For all other debts primary sources are Highways, market rents and farm rents.
- 2.6. Robust procedures are in place to recover debt, to support those in financial difficulties and to write off debt where appropriate. Recovery of debt is the responsibility of the service raising the invoice however specialist support is available from the Revenues Recovery Team within Finance & Customer Services.

### 3. Background

- 3.1. CEC raises invoices for a range of “paid for” Council services or for repayment of monies. This includes a wide range of circumstances such as adult social care charges, commercial rents, charges for damage to highways or overpayments of pay. During 2021/22 the value of invoices raised was in excess of £90M.
- 3.2. Given the value of these invoices it is important that the Council has robust procedures in place to ensure these invoices are paid and to take measures to recover debts where necessary.
- 3.3. This report provides details of the current levels of sundry debts, the sources of this debt and actions being taken to recover that debt.

### 4. Briefing Information

- 4.1. Sundry debt arises when invoices issued by the Council remain unpaid. Whilst procedures to recover debt will change depending on the nature of the debt and of the debtor there are standard procedures which are generally followed. These are outlined in **Appendix One**.
- 4.2. The value of all Sundry debt (both Adult Social Care and other debt) over 6 months old as at the 16th January 2023 stands at **£7,061,847**.
- 4.3. Collection rates for OSD are particularly good and have been maintained in excess of 99% over the past 3 years. Recovery of ASC SD is increasingly challenging and debt recovery levels have fallen in recent years but remain well above 90%.

**Table 1 – Sundry Debt collection rates 2019 - 2022**

	<b>F/Y Invoices Raised</b>	<b>Value of Invoices raised</b>	<b>% Collection rate</b>
<b>Adult Social Care</b>	2019-20	£36,272,428	<b>98.23%</b>
	2020-21	£50,322,548	<b>97.93%</b>
	2021-22	£47,127,455	<b>94.75%</b>

Other	2019-20	£36,621,021	99.29%
	2020-21	£32,954,148	99.57%
	2021-22	£43,887,778	99.23%

- 4.4. Sundry debt can arise from any service following the issue of an invoice however the following table provides a summary of the most common sources of this debt.

**Table 2 - Source of debt**

Debt type	Outstanding over 6 months	
Highways	£	498,703
Markets	£	199,105
Farms	£	165,664
NHS/CCG	£	111,407
Care @ Home	£	2,107,550
Residential	£	1,225,771
Nursing Care	£	1,072,781
Residential respite	£	355,373
Full Cost Fees	£	323,176
Home care Fees	£	214,626
All other	£	787,691
<b>Total debt</b>	<b>£</b>	<b>7,061,847</b>

- 4.5. For the purposes of reporting Sundry debts are split between Adult Social Care Sundry Debt (ASC SD) and Other Sundry Debt (OSD). The following summarises the current debt position for each of these areas and highlights the efforts and challenges in recovering this debt.
- 4.6. **Adult Social Care Sundry Debt (ASC SD)** - The totality of ASC SD over 6 months old as at 16.1.23 is £5,686,149 and relates to 5,546 unpaid or partially paid invoices.
- 4.7. A large percentage of the debt is due to lengthy legal processes restricting a customer's ability to pay their invoices. Processes such as deputyship/probate applications and property sales result in debt accruing for several months before payment is made. These cases are reviewed regularly and although breach the 6-month bad debt provision limit these are generally secure.
- 4.8. Adult Social Care debt increased by £2.8m during the pandemic as debt collection activity was suspended. It is difficult to recover this position;

people are often in receipt of benefits and have few assets. Paying off a debt, in addition to ongoing charges can be difficult.

- 4.9. Care@Home is the largest cohort of debt over 6 months, these customers are receiving care within their homes and have been financial assessed as being able to contribute towards their care costs. CEC charging policy takes 100% of disposable income into account over and above the standard minimum guaranteed amount set by the Department of Health. Disability benefits and certain specified income are also disregarded.
- 4.10. Income and debt are monitored monthly by senior managers in the department and a series of actions have been initiated. This includes a review of all cases to identify a specific action per case; a review of the process to intervene early to prevent debt accumulating; a review of all correspondence, using behavioural insights research, to ensure the language encourages payment and finally, a proposed review of the charging policy to ensure is appropriate for the current operating environment.
- 4.11. Additional resource has been provided to the ASC Recovery Team with the aim of reducing the totality of ASC debt by £800,000 during 2023/24 (as per MTFS CE23-27 111).
- 4.12. **Other Sundry Debt (OSD):** The totality of OSD over 6 months old as at 16.1.23 is £1,375,698 and relates to 417 unpaid or partially paid invoices.
- 4.13. Over 60% of OSD relates to three service areas of Highways, Market rents and Farm rents.
- 4.14. Highways (Total debt over 6 months old @ 16.1.23 £498,703). The primary source of this debt relates to incidents on the highway where damage has occurred and has had to be remedied by the Council. These invoices are managed by Ringway Jacobs and frequently involve extensive engagement between Ringway Jacobs, and the driver's insurance company/claims handlers to agree a settlement figure. Unpaid invoices are ultimately referred to the Council's contracted debt collector. Where appropriate, and with authorisation from the Highways Service, they are passed to our internal Legal teams.
- 4.15. Markets (Total debt over 6 months old @ 16.1.23 2022 £199,105). This relates to unpaid rent at Macclesfield Indoor Market. Historically this has not been an easy debt to collect, there have been and still are a number of factors that have led to this large debt. Uncertainty about the future of the Market led to an apathy towards payment for a number of tenants. There is also a balance between a yearly income target from Market rental income and ensuring the Market is a viable asset. More recently combined efforts from the Environmental Services and ANSA with support from the Recovery Team has seen this debt reducing. This work will continue with further reductions in the overall debt anticipated.

- 4.16.** County Farms (Total debt over 6 months old @ 16.1.23 £165,664). Invoices are raised for a number of services but primarily relate to rent. These invoices are managed by Cheshire Farms Service who facilitate both Cheshire East and West Farms. Similar to the situation with Markets there is a balance sought between managing this debt, supporting farmers and maintaining the farms as viable assets.
- 4.17. Payment in advance:** There are services across the Council which generate high levels of income but where debt is minimal or non-existent. These services operate on a payment in advance model. Planning for example generate £3.9M annually, Car parks £6M and Registrars £2m all with little or no debt outstanding. Whilst it is recognised that payment in advance is not possible for all services it should be considered as the preferred method of payment. All services currently invoicing for services received are encouraged to review procedures to establish if payment in advance can be adopted.
- 4.18. Debt collection procedures and vulnerability** - In undertaking income and debt recovery it is inevitable that we will be required to pursue the recovery of arrears from residents and businesses that may experience difficulty in paying. We recognise that certain individuals will require more sympathetic and sensitive treatment, for example in the case of recent bereavement, major illness or where the customer requires special assistance in handling their financial affairs. We look to ensure consistency and best practice in such situations including following our vulnerability protocol to signpost customers to appropriate debt advice and support agencies.

## 5. Implications

- 5.1. Legal - none**
- 5.2. Finance - none**
- 5.3. Human Resources - none**

<b>Access to Information</b>	
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Appendices:	Appendix One
Background Papers:	NIL