

PART 1 - PUBLIC

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**Decision Maker:** Executive & Resources PDS

**Date:** 8 July 2014

**Decision Type:** Non-Urgent Non-Executive Non-Key

**Title:** **SUNDRY DEBTORS AND ACCOUNTS PAYABLE SERVICE  
MONITORING REPORT**

**Contact Officer:** Claudine Douglas-Brown, Exchequer Manager  
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**Chief Officer:** Peter Turner, Director of Finance

**Ward:** All

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1. Reason for report

- 1.1 This report provides information regarding the performance of the Sundry Debtors and Accounts Payable Services provided by Liberata up to the 31 March 2014. A letter from Amanda Inwood-Field, Liberata's Contract Director, provides an update on each individual service and is attached at Appendix 1 with statistical data relating to the Sundry Debtors and Accounts Payable service shown in subsequent appendices.

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2. **RECOMMENDATION(S)**

- 2.1 **The PDS is requested to note the information contained within the report and the letter provided by Liberata detailed in Appendix 1.**

## Corporate Policy

1. Policy Status: Existing policy.
  2. BBB Priority: Excellent Council.
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## Financial

1. Cost of proposal: N/A
  2. Ongoing costs: N/A.
  3. Budget head/performance centre: 400008
  4. Total current budget for this head: £1.6m
  5. Source of funding:
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## Staff

1. Number of staff (current and additional): 2 plus Liberata staff
  2. If from existing staff resources, number of staff hours: N/A
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## Legal

1. Legal Requirement: Statutory requirement. The amount of legislation is too extensive to cite in full, below are detailed the major Acts and Regulations covering the services:

Late Payment of Commercial Debts (interest) Act 1998

The County Court Act 1984

Environmental Protection Act 1990

Housing Act 2004

Part 3 of the National Assistance Act 1948

The National Assistance (Assessment of Resources) Regulations 1992. (S.I. 1992/2977)

2. Call-in: Call-in is applicable
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## Customer Impact

1. Estimated number of users/beneficiaries (current and projected): The services covered in this report affect those who owe general income to the Council and all of the Council's suppliers. This could amount to an estimated 40,000 people.
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## Ward Councillor Views

1. Have Ward Councillors been asked for comments? No.
2. Summary of Ward Councillors comments: N/A

### 3 **COMMENTARY**

The Exchequer Team monitors the contract, sets targets and performance standards, liaises with partners, progresses the development and improvement of services through leadership on specific improvement initiatives. The team also ensures the services comply with current legislation, financial regulations, contractual obligations and audit requirements. A summary of performance by Liberata is contained in Appendix 2.

To maintain the drive for improved service performance, monthly service review meetings are held with operational and senior Liberata management. To further illustrate the commitment to the continuous improvement agenda the Contract Director and Finance Service Delivery Manager at Liberata meets with Bromley regularly to deal with escalated issues, review policies and develop new ideas.

#### 3.1 **Sundry Debtors**

The collection rate for **in-year debt** as at 31<sup>st</sup> March 2014 was **73.04%** with £29.96m collected against a contractual target of **88%**.

The current year's collection figure was impacted by a number of factors as set out below with the main one being the timing of receipt of invoice requests from the different service departments.

- The value of invoices raised in the last 4 months of the year increased from £15.9m in 2012/13 to £21.6m in 2013/14, a rise of 36%.
- The value of invoices raised and issued in March 2014 was £9.7m, which was £0.4m more than the previous year. However, a greater number of these invoices were received towards the end of March than in previous years, which reduced the time available to recover this debt. As a result the value of invoices raised in the last two weeks of the year that were still outstanding at the year-end increased as follows:
  - 2012/13 - £1.21m (595 invoices) 18.9% of total debt outstanding at year end
  - 2013/14 - £6.70m (663 invoices) 52.9% of total debt outstanding at year end
- Changes in the payment systems used by some of the larger debtors resulted in delays in processing and paying invoices. An example of this was the NHS who paid £3m in the first three weeks of April 2014 on invoices which were all raised in March 2014.

As a result of the recovery work completed in March and April, £3.8m of payments in respect of March 2014 invoices were received in the first three weeks of April 2014. If we adjust the collection rate to take account of £1.1m of in year invoices which were on hold, and so were irrecoverable at year end, and the £3.8m of income delayed due to timing and supplier issues the revised collection rate would be 85%.

The level of invoices being disputed by debtors with LB Bromley has increased from 639k in 2012/13 to £961k in 2013/014.

72% of the disputed debt relates to four customers, with 33% disputed by a school. Officers are communicating with the customers in order to resolve the disputes and recover the debt.

**Appendix 2** shows the comparison between the level of outstanding debt for each month from April 2012 to March 2013 and April 2013 to March 2014.

**Appendix 3** shows the comparison between the number of invoices outstanding for each month from April 2012 to March 2013 and April 2013 to March 2014.

As you can see over the last two years there has not been any significant change in the number of invoices outstanding however the value of the debt outstanding as at 31<sup>st</sup> March has increased.

Since April there has been an increased focus on the top 20 debtors and this has helped to reduce the 2013/14 debt to £3.53m.

### 3.2 Utility Debt

Utility debt increased overall by £165k in year. We have been successful in reducing the debt with most of the companies however the Thames Water debt has increased by £385k. Officers from the service department are currently meeting with representatives from Thames Water every month to discuss any outstanding disputes, and anticipate reducing the debt during the next 2-3 months.

**Appendix 4** shows a summary of Utility debt as at 31<sup>st</sup> March 2014

### 3.3 Aged Debt as at 31 March 2014

The profile of the total debt outstanding as at 31 March is shown in the table below, along with the % reduction in 2013/14. This is then further broken down to shown the status of the debt.

<b>Fin Year</b>	<b>Pre 2011</b>	<b>2011/12</b>	<b>2012/13</b>	<b>2013/14</b>	<b>Total</b>
Outstanding as at 31/04/14	1,198K	539K	759K	10,175k	12,672K
% reduction in 2013/14	21.35%	38.52%	81.12%	73.04%	

## Overall Recovery Position as at 31 March 2014

<b>Outstanding balance and Recovery position of debts raised in the years below</b>					
<b>Fin Year Original debt raised</b>	<b>Pre 2011</b>	<b>11-12</b>	<b>12-13</b>	<b>13-14</b>	<b>Grand Total</b>
Recovery being pursued	£12K	£46K	£146K	£8,435K	<b>£8,639K</b>
In recovery, paid by instalments	£107K	£27K	£57K	£291K	<b>£482K</b>
Secured by charge on property	£61K	£103K	£87K	£162K	<b>£412K</b>
Appointee & Deputyship in place	£53K	£35K	£59K	£123K	<b>£269K</b>
Applying for Power of Attorney	£4K	£2K	£3K	£3K	<b>£12K</b>
Awaiting Executor details	£14K		£1K		<b>£14K</b>
Probate searches underway	£97K	£89K	£86K	£90K	<b>£361K</b>
Vol contribution/sponsorship		£5K		£1K	<b>£6K</b>
Referred to LBB for instructions	£105K	£55K	£36K	£5K	<b>£202K</b>
Pre debt collector/court checks	£30K	£17K	£14K	£88K	<b>£150K</b>
Include on next debt collector list	£11K	£17K	£20K	£12K	<b>£59K</b>
With debt collector	£5K	£1K	£9K	£8K	<b>£23K</b>
Pre legal action review	£27K	£16K	£5K	£2K	<b>£50K</b>
County Court Claim	£257K	£29K	£95K	£52K	<b>£433K</b>
Judgement obtained - charging order	£18K				<b>£18K</b>
Judgement obtained - order for information	£31K				<b>£31K</b>
High Court enforcement	£26K				<b>£26K</b>
With LBB Legal department			£6K		<b>£6K</b>
Awaiting Cancellation		£1K	£4K	£11K	<b>£16K</b>
Recommended for write-off	£266K	£52K	£48K	£4K	<b>£371K</b>
In dispute, with LBB service departments	£26K	£7K	£58K	£870K	<b>£961K</b>
Admin penalty, cannot be recovered until HB and/or CTB	£48K	£38K	£25K	£7K	<b>£118K</b>
Premises Licences - No reminders required			£1K	£13K	<b>£13K</b>
<b>Grand Total</b>	<b>£1,198K</b>	<b>£539K</b>	<b>£759K</b>	<b>£10,175K</b>	<b>£12,672K</b>

### 3.4 Invoicing/Income

The Income Team raised 17,958 sundry invoices with a value of £ 43.59m from 1<sup>st</sup> April 2013 to 31<sup>st</sup> March 2014. Of these 1,481 invoices, with a value of £3.50m, were subsequently cancelled.

**Appendix 5** shows the value of invoices raised month by month for the period from 1<sup>st</sup> April 2013 to 31<sup>st</sup> March 2014 compared to the same period the previous year.

**Appendix 6** shows the number of invoices raised month by month for the period from 1<sup>st</sup> April 2013 to 31<sup>st</sup> March 2014 compared to the same period the previous year.

### 3.5 Trade Waste

The outstanding debt on Trade Waste as at 31<sup>st</sup> March 2014 was £1.731m. This includes the invoices for 2014/15 charges.

<b>Analaysis of Trade Balance</b>	
Under 30 days old	£854k
Invoices 31 to 365 days old	£10k
Invoices over 1 year old	£107k
Agreed Payment Arrangements -Direct Debits	£755k
Awaiting cancellation	£1k
Awaiting write-off	£4k
<b>Total</b>	<b>£1,731m</b>

### 3.6 Nightly Paid Accommodation Charges

The outstanding debt for Nightly Paid Accommodation charges as at 31<sup>st</sup> March 2014 was £1.45m for current and former occupiers.

	<b>Arrears as at 31 March 2014</b>
Charges raised for current year and arrears brought forward	£4,516,994.25
Charges raised and arreras brought forward for previous years	£1,285,530.57
Payments received from debtors	-£240,153.84
Housing Benefit awards	-£3,793,130.71
<b>Sub total</b>	<b>£1,769,240.27</b>
Less debts written off	-£315,175.67
<b>Total</b>	<b>£1,454,064.60</b>

£3.79m was collected from Housing Benefit awards from 1<sup>st</sup> April 2013 to 31<sup>st</sup> March 2014, which is an increase of £857k (29%) on the previous year.

£240k was collected in payments from the debtors in the period from 1<sup>st</sup> April 2013 to 31<sup>st</sup> March 2014, which is an increase of £103k (75%) on the previous year.

Due to the increase in the caseload during the last financial year the resources focused on this area have been increased. An initial target for an increase in cash collections of £65k was set and this amount was actually exceeded by £38k.

### 3.7 Accounts Payable

A BV8 summary covering the period from 1 April 2013 to 31 March 2014 is shown below. This shows that in 2013/14 the percentage of invoices that were paid within 30 days was 98%. This is an increase of 2% against the 2012/13 position of 96%. The percentage of invoices paid within 20 days has also increased from 92% in 2012/13 to 96% in 2013/14.

BV8 Summary			1 April 2013 to 31 March 2014							
Manuals	Target:	98%	Invoices Over 30	Invoices Under 30	Total	%	Invoices Over 20	Invoices Under 20	Total	%
Adult and Community Services *			27	256	283	90%	57	226	283	80%
Corporate Services			28	319	347	92%	58	289	347	83%
Children & Young People +			18	242	260	93%	48	212	260	82%
Environment and Leisure			24	252	276	91%	39	237	276	86%
R&R (Inc. Libraries & LE/PP)			8	175	183	96%	11	172	183	94%
Payroll (R05 - R20)			9	891	900	99%	17	883	900	98%
Utilities			29	1,709	1,738	98%	102	1,636	1,738	94%
Confirm (Highways, IS, Property)			243	13,977	14,220	98%	420	13,800	14,220	97%
			<b>386</b>	<b>17,821</b>	<b>18,207</b>	<b>98%</b>	<b>752</b>	<b>17,455</b>	<b>18,207</b>	<b>96%</b>
<b>I-Proc</b>	<b>Target:</b>	<b>98%</b>								
Adult and Community Services *			253	10,901	11,154	98%	433	10,721	11,154	96%
Corporate Services			66	2,561	2,627	97%	118	2,509	2,627	96%
Children & Young People +			216	6,344	6,560	97%	368	6,192	6,560	94%
Environment and Leisure			97	3,095	3,192	97%	201	2,991	3,192	94%
R&R (Inc. Libraries & LE/PP)			97	3,501	3,598	97%	178	3,420	3,598	95%
			<b>729</b>	<b>26,402</b>	<b>27,131</b>	<b>97%</b>	<b>1,298</b>	<b>25,833</b>	<b>27,131</b>	<b>95%</b>
<b>Carefirst</b>	<b>Target:</b>	<b>98%</b>								
T01			395	14,933	15,328	97%	758	14,570	15,328	95%
T04			45	6,027	6,072	99%	98	5,974	6,072	98%
			<b>440</b>	<b>20,960</b>	<b>21,400</b>	<b>98%</b>	<b>856</b>	<b>20,544</b>	<b>21,400</b>	<b>96%</b>
<b>Adults</b>	<b>Target:</b>	<b>98%</b>								
T02			54	109	163	67%	114	1,279	1,393	92%
			<b>54</b>	<b>109</b>	<b>163</b>	<b>67%</b>	<b>114</b>	<b>1,279</b>	<b>1,393</b>	<b>92%</b>

<b>Total</b>	<b>1,609</b>	<b>65,292</b>	<b>66,901</b>	<b>98%</b>	<b>3,020</b>	<b>65,111</b>	<b>68,131</b>	<b>96%</b>
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The table below shows the percentage split in the method of payments for suppliers. The percentage of suppliers paid by BACS has increased from 85% for 2012/13 to 87% 2013/14.

### BACS Payment Statistics

Year	Month	BACS Count	BACS %	Cheque Count	Cheque %
2013	Apr	2,664	85%	454	15%
2013	May	2,946	88%	411	12%
2013	Jun	2,507	84%	463	16%
2013	Jul	3,224	88%	460	12%
2013	Aug	2,446	85%	418	15%
2013	Sep	2,661	88%	362	12%
2013	Oct	2,798	88%	365	12%
2013	Nov	2,530	88%	347	12%
2013	Dec	2,772	88%	361	12%
2014	Jan	2,764	87%	431	13%
2014	Feb	2,571	87%	382	13%
2014	Mar	3,085	87%	446	13%
<b>Total for 2013/14</b>		<b>32,968</b>	<b>87%</b>	<b>4,900</b>	<b>13%</b>

### 3.8 Complaints

The table below shows the number of complaints received by each service over the last 3 years. Closer monitoring has reduced the number of complaints received by the Sundry Debtors/Income Service and only one complaint has been received since April.

	2011/12	2012/13	2013/14
<b>Sundry Debtors/Income</b>			
Justified			13
Unjustified			1
<b>Total</b>	<b>2</b>	<b>4</b>	<b>14</b>
<b>Accounts Payable</b>			
Justified			2
Unjustified			2
<b>Total</b>	<b>N/A</b>	<b>0</b>	<b>4</b>

#### 4 **FINANCIAL IMPLICATIONS**

The report refers to the significant income collection undertaken through the Exchequer Services contract with Liberata.

<b>Non-Applicable Sections:</b>	[Policy, Legal and Personnel]
Background Documents: (Access via Contact Officer)	