

DERBYSHIRE COUNTY COUNCIL

CABINET MEMBER

12 September 2016

**Report of the Strategic Director of Corporate Resources
Extension of Legal Services Secondments
(COUNCIL SERVICES)**

1 Purpose of the Report

To seek approval to extend existing secondment arrangements in Legal Services Debt Recovery Team until 30 September 2019.

2 Information and Analysis

In January 2015 approval was given to fund a fixed term grade 11 Legal Executive post for twelve months to undertake complex debt recovery work. The successful candidate was appointed on the basis of a secondment from within the Debt Recovery Team which meant other subsequent posts had to be backfilled and so this process was not fully completed until September 2015. Extension of the current arrangements to September 2019 will not exceed the 4 year time limit and therefore result in any individuals accruing established contract rights under the Fixed Term worker regulations.

Prior to implementation of the current structure, it had been identified that there was a backlog of debt cases due to an increase in the volume of ordinary debt along with a rapid increase in the amount of Adult Care debt. This is demonstrated by the significant increase in debtor invoices raised. In 2015, 102,000 invoices were raised to a value of £22.9 million compared to 30,000 invoices to a value of £13.5 million in 2010. Since 2010 over £5.7 million of debt has been referred to Legal Services and with the additional resource it is now achieving an excellent recovery rate of 77%.

In addition to the additional resource, systems and processes have been reviewed and changed which is now contributing to improved payment and recovery. This is demonstrated by the following:

- Introduction of accountability- all debt recovery cases including the backlog files are now allocated to a named fee earner/claims handler with regular reviews as opposed to a generic debt recovery ledger, thus maximising proactive debt recovery and monitoring of payments.

- A reduction in the volume of open referred files. 1021 files were open in March 2016, with 754 in August 2016. This demonstrates the success of the new system with all files now being pro-actively managed allowing for closure once the invoices are settled or payment plans adhered to. Alternatively, if invoices are irrecoverable they are identified as such at an early stage enabling effective budget management by departments.
- Corporate Finance has introduced a more proactive reminder and referral process which has improved prompt payment and referral to Legal Services which is reflected in improved debt levels. For the first quarter of 2016 the average debt balance was £18.5 million compared to £22.5 for the same period in 2015.
- There has been an increase in commercial debt which attracts the most risk and is difficult to recover. Work has been undertaken with Corporate Property to impose new strategies and measures to minimise the Council's exposure to irrecoverable arrears which has resulted in early referrals to Legal Services. There have been successes with commercial rent recovery, forfeiture of leasehold premises and adherence to payment plans agreed, with tenants now affording priority status to rental debt.

Since Adult Care began generating additional income in respect of co-funding and other care packages the amount of invoiced debt has risen sharply, with approximately £4.5 million of Adult Care debt currently outstanding and actively being pursued. Unfortunately, this type of debt is difficult to recover and it is anticipated that a large percentage of this debt will ultimately be referred to Legal Services to take action under the Care Act 2014.

Presently, there is a greater volume of high value complex debt being referred to Legal Services rather than high volume low value debt which was historically the greater proportion of debt. The extension of funding will allow the Debt Recovery Team to continue actively recovering monies, further improve internal processes and to implement new strategies to build on the successes already achieved. Due to the increase in debt recovery work and the shift of the nature of the work, the present arrangement will be reviewed after twelve months with a view to recommending a new Debt Recovery Team structure. This will enable the Team to meet the growing and changing demands of Council services and deliver a modern effective debt recovery solution ensuring debt is being actively managed.

3 Financial Considerations

The cost of funding the Grade 11 Legal Executive position and the continued backfilling for a further two years including on costs is £77,450. This cost will be funded from the additional income the council will generate from interest on receipts due to increased cash flow.

4 Other Considerations

In preparing this report the relevance of the following factors has been considered: legal, prevention of crime and disorder, equality and diversity, human resources, environmental, health, property, transport and social value considerations.

5. Social Value Considerations

The effective control of the Council's debt is essential to the proper stewarding of the Council's resources which, in turn, benefits Derbyshire residents

6. Background Papers

No

7. Key Decision

No

8. Is it necessary to waive the call-in period?

No

9. Officer's Recommendation

That approval is given to extend the present secondment and associated backfill arrangements within Legal Services Debt Recovery Team until 30 September 2019.

JUDITH GREENHALGH
Strategic Director of Corporate Resources