

ROTHERHAM METROPOLITAN BOROUGH COUNCIL

REPORT TO MEMBERS

Meeting:	Audit Committee
Date:	29th June 2011
Title:	Sundry Accounts – Performance 2010/11
Directorate:	Financial Services

5. Summary

This report provides an update on the performance of the sundry accounts function and how changes in the computer system and working practices have contributed to improved collection rates and more efficient account management.

6. Recommendations

The Committee is asked to:

- Note the contents of this report; and
- Acknowledge the significant improvements made in the performance of the Sundry accounts function particularly over the last 12 months.

7. Proposals and Details

An average of 25,000 RMBC invoices valued at more than £91 million, are raised annually on the sundry accounts system. Historically, a central team based within the Financial Services Directorate has administered the process of raising the invoices and recovering debts. Annual benchmarking exercises through CIPFA indicated that performance in this area was good but with several areas having scope for improvement.

In 2009 the Council's legacy computer system was replaced with Civica Financials system with the benefits of:

- Empowering users across the Authority to raise their own invoices therefore allowing the central team to concentrate on recovering debts and resolving disputes rather than inputting invoices.
- Automating recovery routes to minimise staff intervention in the early stages.
- Introducing the concept of 'alerters' which automate some communications and escalation of disputes with internal staff.
- Giving improved Direct Debit functionality.
- Giving improved reporting functionality to assess performance.
- Providing a legal module of the system to enable a seamless link with our own Legal staff to facilitate action through the courts where necessary.

The system went 'live' in July 2009 but it was acknowledged that this alone would not significantly improve the Authority's collection performance. Following consultation with internal customers and in accordance with the Authority's Corporate Debt Policy, two External Collection Agents were engaged to pursue outstanding debts. This change in process has had significant impact particularly in the area of commercial rents.

In early 2010, a review of the central team's working practices revealed that whilst staff were considered to be experienced and capable there were no clearly defined areas of responsibility. They were also not empowered or encouraged to sort out problem areas themselves nor use a common sense 'bespoke' approach to collecting debts, which is often needed. They had worked this way for a number of years which may have been appropriate at one time, but was clearly no longer working effectively. There were too many bottlenecks in processes, decision making which was too reliant upon the team leader and it was felt that relationships with directorates was too distant resulting in disputes being prolonged and debts being left outstanding for too long, without any action.

A change in working practices was introduced giving each member of the team a portfolio of debt for which they assumed responsibility from start to finish. They were charged with setting up periodic meetings with directorates to actively discuss and resolve disputes, improve contact with debtors, and liaise with external collection agents to recover cash as soon as possible.

Performance statistics do indicate that as at 31st March 2011 there has been a significant improvement in the quality of the information available and the collection performance of the team.

One key indicator is the Days Revenue Outstanding (DRO) target. This gives an average number of days invoices remain outstanding once issued. It is acknowledged that a good performance for a local authority would be less than 60 days whilst in the private sector this would normally be closer to 40 days.

In 2008 before the new system and changes in working procedures, RMBC's DRO was 70 days. In March 2010 it had reduced to 55.6 days and in March 2011 stood at 52.5 days.

In March 2010 RMBC had 4,357 invoices outstanding that were more than 1 year old, to the value of £4.135m. As at March 2011 this had reduced to 2,971 valued at £2.109m.

During 2009/10 the current year collection rate was 84.2%. In 2010/11 this was 92.3%.

8. Finance

Improvements in efficiencies and collection rates have enabled the successful repayment of the 'Invest to Save' bid secured to finance the new system implementation.

The improved collection performance has also enabled the Council to reduce its Provision for Bad Debts from £1.27 million to £1.12 million, a reduction of about £150,000. The release of the provision forms part of the Council's outturn underspend for 2010/11.

9. Risks and Uncertainties

With future emphasis leaning towards inter-authority shared services, the Sundry Accounts Team is in a much stronger position than before. Indeed preliminary talks have already taken place with Doncaster MBC to explore a potential future shared system and relationship.

10. Policy and Performance Agenda Implications

The collection of Sundry Accounts is done in accordance with the Corporate Debt Policy and the Sundry Accounts Billing & Collection Policy, which is currently being updated and rewritten to reflect the changes.

11. Background Papers and Consultation

None

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