Agenda Item No: 11

Meeting of:	**Cabinet**
Date of Meeting:	**Thursday, 23 July 2026**
Relevant Scrutiny Committee:	Resources Scrutiny Committee
Item which the Chair has decided is urgent (Part I) **(If yes, why)**	Not applicable
Urgent Decision Procedure Used (15.14 of the Constitution) **(If yes, why)**	Not applicable
Item Type	Part I
Report Title:	Debt Strategy
Portfolio Holder:	Executive Leader and Cabinet Member for Performance and Resources
Strategic Leadership Team:	Director of Corporate Resources
Lead Officer:	Head of Finance/s151 Officer

1.0 <u>What is this report about?</u>

1.1 The key purpose of the report is to provide greater transparency on the level of outstanding invoiced income and the measures that the Council already has put in place to effect recovery and the ongoing strategy to manage it further.

1.2 Significant attention has been given to management of the Council's income and debt including the implementation of an improved system and regular reporting SLT.

1.3 Given ever increasing costs and demands it is appropriate to have a more focussed approach through a formal Debt Recovery Strategy.

1.4 This is set out in paragraph 4.3, the individual components being:

i. Adherence to policy
ii. Regular reporting
iii. Effective dunning
iv. Use of recovery agents
v. Shared responsibility
vi. Promotion of direct debit

vii. Early focus in younger debt, 3 to 6 months.

viii. Increasing up front payment, linking in with the Reshaping Programme

ix. Specific social care considerations

x. Targets

1.5 There has been a review of historical irrecoverable debt and the report recommends the writing off of two debts in excess where the debt is irrecoverable due to insolvency.

2.0 What are the Recommendations?

	Recommendations – What and How?	Reason for Recommendation – Why?
2.1	Cabinet is recommended to approve the Debt Strategy set out in the body of the report.	A specific Strategy and approach will give greater focus and deliver improved performance in managing the Council's finite resources.
2.2	Cabinet is recommended to write off the two debts set out in paragraph 4.6.	Write off of debt over £10k is a Cabinet function

3.0 What is the background to this report?

3.1 Governance

3.2 The governance requirements for income and debt recovery are set out in the Council's Constitution.

3.3 Council Constitution

3.4 The key sections are the Financial Procedures in section 17 which provides in 17.28 for detailed Procedure Notes for key financial activities. The Financial Procedure Note 14 Managing Sundry Debtors (FPN14) covers the activity considered in this report. The underlying premise is that services are paid for up for front with no need for invoicing and subsequent collection and potentially recovery. There is further coverage in section 26 of the Constitution - Officer Delegations. The s151 Officer has delegated authority to write off irrecoverable debt up to a value of £10k, any write offs above this value are a function of Cabinet. Further, there are also delegations in place for senior officers and their teams for lower value write offs.

3.5 There are also a number of key policy documents for social care income and recovery:

i. Social Services Charging for Adult Social Services Policy

ii. Income recovery policy

3.6 These are all subject to continuous review, with FPN14 having had a significant overhaul in 2023.

3.7 Additionally for Social Care there are leaflets provided to residents making them aware of the Council's procedures.

3.8 Systems and Processes

3.9 Up until April 2025 the key system for managing the Council's income was MRI (frequently referred to as Academy) which is primarily the Council's system for managing Council Tax, Business Rates and benefits. The system is well regarded and effective for meeting its primary purpose but had many shortcomings for managing corporate income and debt recovery. Most notable was accessibility and reporting, with the system only being available to the Income Management Team in Corporate Resources and poor reporting capability meaning that data on outstanding income wasn't readily available to services. There was also a fundamental issue that being designed for Council Tax, business Rates and benefits it could not handle income in excess of £100K so manual interventions were necessary in the accounting arrangements.

3.10 The Council had implemented Oracle Fusion as its key financial system in April 2023 covering financial ledger, procurement, accounts payable, HR and payroll. The implementation had also included licensing for Accounts Receivable, and a business case was approved in late 2024 to make the move from MRI to Fusion AR, addressing its shortcomings and also bringing benefits such as addressing reconciliation providing greater assurance and easing the production of the Council's statutory accounts.

3.11 The management of income and debt is split at the Council. Social Care income and debt is predominantly managed by the Commissioning and Finance team in Social Services and all the remaining Council income and debt by the Income Management team in Corporate Resources (in close liaison with service departments). This is normal practice across local government given the sensitivities of collecting and recovering payments from vulnerable members of the community. Additional resource was set aside in the Council's 2026/27 budget; there is an additional post in Social Care and provision to meet the cost of legal support.

3.12 During 2025/26 the Council raised invoices totalling £77.497m in value for sales, fees and charges. As at 31st March 2026 £6.216m of this was outstanding and also £5.315m raised in previous financial years. Total debt outstanding at 31st March 2026 is, therefore, £11.531m. The following table sets out the profile of the debt by directorate.

3.13 Table 1: Debt Outstanding at 31st March 2026.

	Raised within 30 days	6 months excluding <30 days	6 to 12 months	Over 12 months	% of debt over 12 months
	£	£	£	£	
Shared Regulatory Services	578,394	396,183	91,448	307,604	22.39
Learning and Skills	401,805	165,747	22,675	20,405	3.34
Corporate Resources	805,837	122,545	86,079	334,033	24.77
Social Services	3,552,025	3,236,645	854,207	3,835,179	33.41
Place	158,808	105,779	24,599	105,819	26.79

Environment and Housing	491,106	832,237	277,952	712,414	30.79
TOTAL	**5,988,275**	**4,859,135**	**1,356,960**	**5,315,454**	

3.14 The greatest area of focus is the £5.315m of historical debt, i.e. that debt over 12 months old. £3.835m of this is with Social Care and is reflective of specific challenges in collecting this category of income.

3.15 Specific challenges of collecting social care income can be categorised under the following headings:

i. Recovery from Care homes

ii. Recovery from citizens – ongoing care and support services

iii. Recovery of historical debts following death

3.16 Care home debt requires case by case overview to reconcile. Payment is made in advance for care home placements, with reconciliation being completed at point of placement end. Verification checks are required at both ends which is resource intensive for both the Council and provider. This debt is fully recoverable but is typically recovered over a longer period of time.

3.17 Debt related to citizen charges is seen in two categories – ongoing payments for services received and final payment for services delivered for a relative from a person's estate.

3.18 Debt relating to ongoing services is managed via the brokerage team and income recovery team. Where possible direct debits are established to avoid debt accruing and early repayments are encouraged and supported with various payment options. Discrepancies in billing are resolved at the earliest opportunity to address non-payment. The challenges relating to debt recovery in this area are:

i. Non-payment for services received – where a citizen receives an assessed service, but refuses to pay (either directly or via family members with Lasting Power of Attorney)

ii. Non-payment for services not received – where a citizen delays payment as they do not agree with the charges (either directly or via family members with Lasting Power of Attorney)

iii. Deprivation of assets (either directly or via family members with Lasting Power of Attorney)

3.19 Debt relating to historical services received is managed by the income recovery team. This typically relates to charges for care home payments which have been accrued due to a deferred income arrangement and are calculated once the estate of the person is fully known. To maximise income recovery in this area, an invoice is only raised for the amount recoverable after final calculations. The challenges relating to debt recovery in this area are:

i. Family disputes resulting in a delay in probate

ii. Family disputes resulting in disagreement of care charges due/payment arrangements

iii. Deprivation of assets

3.20 Deprivation of assets. At any time, an individual or family member with Lasting Power of Attorney could deprive themselves or a relative of assets that should be used for payment of care charges. These issues are raised at point of financial assessment but are often complex and time consuming to work through, at times requiring legal and external agency input.

3.21 There has been significant officer focus on income management and debt recovery, especially over the past year following the implementation of Fusion AR. There has been monthly reporting to the Council's Strategic Leadership Team which as well as raising awareness has facilitated greater engagement with services to collect the outstanding income and keep up the pace on implementing the full functionality of the new system; this includes the comprehensive access and reporting, direct debits and dunning.

3.22 As set out in paragraph 3.4 the overall requirement is that services are paid for up front. An Income Board has recently been established primarily supporting the Income Stream of the target operating model theme in the Reshaping Programme. The Board is tasked with supporting new income initiatives, identifying payment system solutions to enable up front payment as well as oversight of the outstanding income. The Board meets bi-monthly and is chaired by the Head of Finance/s151 Officer with membership across key income raising services as well as digital, finance and transformation support.

4.0 <u>What issues are there to be considered?</u>

4.1 <u>Debt Strategy</u>

4.2 There is significant focus on all aspects of income and debt recovery and this now needs to be formalised through the development of a strategy to give greater focus. The Debt Strategy is set out below.

4.3 Strategy:

i. Officers should strictly adhere to the requirements of the Council's Constitution and Financial Procedure Note; most importantly wherever possible payment should be taken up front.

ii. Regular reporting to SLT Finance – quarterly reporting will take place to ensure continued awareness and to drive effective income management and debt recovery.

iii. "Dunning" (the structured sequence of reminders and follow ups sent to customers with overdue accounts) – first and second reminders and legal action letters sent out in line with the Financial Procedure Note 14. Dunning to also be undertaken for Social Care debt (which has not been the position historically) with the appropriate tone in the letters.

iv. Where reminders and legal action letter fail to recover payment, outstanding debt will be handed to the Council's contracted recovery agents. The Council currently uses Marston as enforcement agents (previously called bailiffs) for Council Tax and Business Rates debt, but they are acting in a different capacity, as debt recovery agents in relation to sundry debt.

v. Joint responsibility – recovery of outstanding income is a joint responsibility with services having the day to day relationships with their customers. Key officers in services will have direct access to the system and reporting will be widely available.

vi. Promotion of direct debit – primarily for Social Care where there are recurring monthly invoices officers will promote direct debit as the usual means of payment. There is no benefit for one off activity and where one-off payments are to be made, these will be up front wherever possible.

vii. Early focus on ‘younger’ debt, i.e. up to 3 months and 3 to 6 months to ensure it does not become aged and more difficult to recover.

viii. Link with Reshaping under target operating model - work with Income Board to move to upfront payment wherever possible. This will be supported by review of the existing debt portfolio to identify areas of outstanding income which have the potential to be moved from invoicing.

ix. Specific requirements of managing social care debt – all of the other elements of this Strategy will be followed but there will be attention to front process, ensuring customers are kept informed of their financial liabilities with the Council and the processes in operation (includes promotion of the literature set out in the background papers) and joint working with legal services (given the challenges set out in paras 3.15 onwards.

x. Targets – it is important to have targets in place to drive improved performance. Given the increased volume of care and costs of this care it is necessary to have different targets for Social Care and all other debt.

4.4 Debt recovery has naturally been the focus of much officer attention but setting out the Strategy has been a new development and it is appropriate it to be regularly reviewed. It is proposed for this review to take place in a year’s time.

4.5 Write of historical debt over £10k

4.6 The Council will take all reasonable actions to recover outstanding income and writing off debt is only carried out in exceptional circumstances. There has been a review of older debt at year end and there are a number of instances, 18 in total, where debtors both private individuals and companies have gone into liquidation or have become insolvent with £119,780 owing to the Council. 16 of these are for sums of £2,938 or less and have been written off under delegated powers by the Operational Manager Exchequer Service. However, there are two larger sums outstanding, requiring write off by Cabinet:

i. Company A - £63,217.30. This was for repayment of development days which were unused in a systems implementation. The company has gone into administration and a liquidator recently appointed. The proof of debt has not come through as yet for the Council to register its interest. There is a remote possibility of recovering on a pence in the pound basis should the company have any assets to distribute.

ii. Company B - £41,841.00. This was for sponsorship of roundabouts which was managed externally at the time but the invoiced income did not come through. The company was dissolved in April 2024 so it is not possible to purse the debt further.

4.7 In this instance these debts are broadly covered in the Council’s provision for Bad and Doubtful Debt. Nevertheless, these are very much exceptions and the Council will continue to rigorously pursue all outstanding sums, this applies to all outstanding sums across the debt profile. Any future right off above officer delegated authority levels will be brought forward in the Quarterly Revenue Monitoring or Outrun reports.

5.0 How has evidence been used to inform the report, including the views of others?

5.1 There is a more informed picture of the Council’s debt position following the series of meetings with SLT and engagement with staff across the Council over the past twelve months.

6.0 What are the next steps if the recommendations are approved?

6.1 Officers have already been undertaking many of the actions in the Strategy and the approval of the Strategy will endorse this work. An action Plan will also be put in place to provide great detail and drive the improved performance, being overseen by the Income Board with updates reported to SLT periodically.

7.0 How does this report support Vale 2030 and Reshaping?

7.1 Being the best Council we can be; having income management and debt recover arrangements that ensure the best use of Council Taxpayers' money.

8.0 How does this demonstrate the Five Ways of Working?

8.1 Effective management of debt ensures the best use of resources and long term financial sustainability.

8.2 A proactive approach is being adopted to reduce the level of invoiced income and consequently invoicing, collection and recovery activity. Driven through the Reshaping Programme there is continuous activity moving services to a pay up front basis wherever possible.

8.3 Income management and debt recovery had previously been very much a corporate led and delivered activity. Engagement has greatly improved across the organisation over the past twelve months and this is core to the Strategy going forward.

8.4 There is positive collaboration in many instances with the Council's debtors especially in social care where there are complex issues and it is essential that the Council works closely and effectively with Residential Care providers and the University Health Board for example to ensure timely payment.

8.5 The service is split across Social Care Commissioning and Finance and Corporate Resources Income Management teams so a differentiated approach can be taken with different customer groups, with a different approach and tone taken with the more vulnerable.

Resources

9.0 Finance

9.1 There are no direct implications from the introduction of the Debt Strategy. However, effective management will reduce the need to increase bad debt provisions in the accounts and avoiding drawn from the General fund.

9.2 The debts written off are all over 12 months old and will be met from existing bad debt provisions.

10.0 Workforce

10.1 There are no workforce implications.

11.0 Legal and Equalities

11.1 No Equalities Impact Assessment has been completed; the Strategy is broadly formalising practices that are already in place.

11.2 In order to be proactive and to support income management and debt recovery, Legal Services will support Social Care Commissioning and Finance and the Corporate Resources Income Management Teams by setting up processes, drafting template letters/application forms and taking forward debt recovery cases. However, it is appreciated that there are sensitivities around how monies are recovered so decisions will be made on an individual basis whilst understanding that the Council will rigorously pursue all outstanding sums. This will be undertaken in accordance with the Civil Procedure Rules 1998, Pre Action Protocols, the Insolvency Rules 2016 and the Insolvency Act 1986, but also, the Council Constitution and internal processes. A paralegal in debt recovery will be appointed in order to take this forward.

12.0 **Key Contacts**

12.1 Who are the primary officers to contact with any comments and/or queries on the report?

Lead Officer: Matt Bowmer Head of Finance/s151 Officer.	Democratic Services Officer Matt Swindell Cabinet and Committee Services Officer. mlswindell@valeofglamorgan.gov.uk

Appendix

None.

Background Documents

Council Policies

Financial Procedure Note 14 - Managing Debt

Social Services Charging for Adult Social Services Policy

Social Services Income Recovery Policy

Information leaflets for residents

Charging services leaflet

Deferred income leaflet