

Worcestershire County Council

Agenda

Audit and Governance Committee

Friday, 23 September 2022, 10.30 am
County Hall, Worcester

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DISCLOSING INTERESTS

There are now 2 types of interests:
'Disclosable pecuniary interests' and **'other disclosable interests'**

WHAT IS A 'DISCLOSABLE PECUNIARY INTEREST' (DPI)?

- Any **employment**, office, trade or vocation carried on for profit or gain
- **Sponsorship** by a 3rd party of your member or election expenses
- Any **contract** for goods, services or works between the Council and you, a firm where you are a partner/director, or company in which you hold shares
- Interests in **land** in Worcestershire (including licence to occupy for a month or longer)
- **Shares** etc (with either a total nominal value above £25,000 or 1% of the total issued share capital) in companies with a place of business or land in Worcestershire.

NB Your DPIs include the interests of your spouse/partner as well as you

WHAT MUST I DO WITH A DPI?

- **Register** it within 28 days and
- **Declare** it where you have a DPI in a matter at a particular meeting
 - you must **not participate** and you **must withdraw**.

NB It is a criminal offence to participate in matters in which you have a DPI

WHAT ABOUT 'OTHER DISCLOSABLE INTERESTS'?

- No need to register them but
- You must **declare** them at a particular meeting where:
You/your family/person or body with whom you are associated have a **pecuniary interest** in or **close connection** with the matter under discussion.

WHAT ABOUT MEMBERSHIP OF ANOTHER AUTHORITY OR PUBLIC BODY?

You will not normally even need to declare this as an interest. The only exception is where the conflict of interest is so significant it is seen as likely to prejudice your judgement of the public interest.

DO I HAVE TO WITHDRAW IF I HAVE A DISCLOSABLE INTEREST WHICH ISN'T A DPI?

Not normally. You must withdraw only if it:

- affects your **pecuniary interests** **OR** relates to a **planning or regulatory** matter
- **AND** it is seen as likely to **prejudice your judgement** of the public interest.

DON'T FORGET

- If you have a disclosable interest at a meeting you must **disclose both its existence and nature** – 'as noted/recorded' is insufficient
- **Declarations must relate to specific business** on the agenda
 - General scattergun declarations are not needed and achieve little
- Breaches of most of the **DPI provisions** are now **criminal offences** which may be referred to the police which can on conviction by a court lead to fines up to £5,000 and disqualification up to 5 years
- Formal **dispensation** in respect of interests can be sought in appropriate cases.

Audit and Governance Committee

Friday, 23 September 2022, 10.30 am, County Hall, Worcester

Membership: Cllr Nathan Desmond (Chairman), Cllr Salman Akbar, Cllr Laura Gretton, Cllr Peter Griffiths, Cllr Luke Mallett, Cllr Dan Morehead, Cllr Emma Stokes and Vacancy

Agenda

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1	Apologies and Named Substitutes	
2	Declarations of Interest	
3	Public Participation <i>Members of the public wishing to take part should notify the Assistant Director for Legal and Governance in writing or by e-mail indicating the nature and content of their proposed participation no later than 9.00am on the working day before the meeting (in this case 22 September 2022). Further details are available on the Council's website. Enquiries can be made through the telephone number/e-mail address listed in this agenda and on the website.</i>	
4	Confirmation of Minutes To confirm the Minutes of the meeting held on 22 July 2022. (previously circulated)	
5	Internal Audit Progress Report	1 - 6
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To obtain further information or a copy of this agenda contact Simon Lewis, Committee Officer on 01905 846621, slewis@worcestershire.gov.uk

All the above reports and supporting information can be accessed via the Council's website

Date of Issue: Wednesday, 14 September 2022

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AUDIT AND GOVERNANCE COMMITTEE

23 SEPTEMBER 2022

INTERNAL AUDIT PROGRESS REPORT

Recommendations

1. **The Chief Internal Auditor recommends that the Internal Audit progress report be noted.**

Background

2. The role of the Council's Internal Audit Service is to enhance and protect organisational value by providing independent assurance, advice and insight into the Council's risk management, governance, and internal control processes.

Audit and compliance 2022/23 Q2 deliverables and Q3 plan

3. Progress against the 2022/2023 audit plan is shown in Appendix 1, including the status of reviews for the remainder of quarter 2 and future planned audits in quarter 3

Audit actions update

4. We are working closely with operational service managers to ensure that actions are undertaken. For actions relating to limited assurance audits where a follow up audit is planned, actions are transferred to the new audit.
5. For School's outstanding actions we have recently agreed with the Schools Support Forum that a Letter of Concern will be issued when schools actions become outstanding when they reach 3-6 months.

Anti-Fraud and Corruption

6. There was an investigation undertaken in the second quarter of 2022/2023. The outcome was that no further direct action was required by the Team, but further actions are continuing corporately. To further highlight the risk from potential frauds and scams staff training, awareness and education continues.

Advisory services

7. Advisory work in this quarter includes being involved in the Fair Cost of Care process to offer guidance where required and review of the audit briefing papers for the Statement of Accounts.

Grant certifications

8. Our grant certification work supports the Council in ensuring that money claimed from government agencies is correctly accounted for and we work closely with operational teams to deliver this. 5 grants have been certified as accurate to date. Details of certifications are given in Appendix 1.

Staffing

9. Currently the Audit and Compliance Manager is overseeing the day-to-day operational aspects of the Internal Audit service with support from the Chief Internal Auditor of the Worcestershire Internal Audit Shared Services. This arrangement is set to continue until at least the end of the financial year.

10. The team continues to develop, and we have a healthy mix of qualified staff and those undertaking training. All staff have regular performance reviews in line with the Council framework, undertake all mandatory training and have regular 1 to 1 sessions.

Contact Points

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Supporting Information

Appendix 1 Audit status

Appendix 2 Audit Actions

Background Papers

In the opinion of the proper officer (in this case the Chief Internal Auditor) there are no background papers relating to the subject matter of this report.

Audit	Type	Rating	Status
2021/22-58 - BEIS Public Sector Decarbonisation Grant	Certification	Certified	End Audit
2022/23-08 - Worcester Business Central Growth Hub	Certification	Certified	End Audit
2022/23-10 - Broadband UK	Certification	Certified	End Audit
2022/23-16 - Contain Management Outbreak Fund	Certification	Certified	End Audit
2022/23-18 - Drug Treatment Grant	Certification	Certified	End Audit
2020/21-76 - Rigby Hall Day Special	Assurance	Limited Assurance	End Audit
2021/22-11 - Comberton Primary School	Assurance	Moderate Assurance	End Audit
2021/22-75 - Redhill Primary School	Assurance	Limited Assurance	End Audit
2021/22-14 - Direct payments	Assurance	Not assessed	End Fieldwork
2021/22-54 - Long term agency and consultancy placements	Assurance	Not assessed	End Fieldwork
2021/22-71 - Contract review - Ringway	Assurance	Not assessed	Start Fieldwork
2022/23-20 - Local Transport Capital Block Funding	Certification	Not assessed	Start Fieldwork
2022/23-24 - Peer Networking	Certification	Not assessed	Start Fieldwork
2022/23-07 - Shrub Hill Governance	Assurance	Not assessed	Start Fieldwork
2021/22-06 - Employee starter process	Assurance	Not assessed	Terms of Reference Agreed
2021/22-56 - Employee leaver process	Assurance	Not assessed	Terms of Reference Agreed

Planned Quarter 2 and 3 assurance audits and grants certification in addition to the above:

2022/23-22 Bus Subsidy (Revenue) Grant
 2022/23-23 Disabled Facilities Grant
 2022/23-25 North Bromsgrove High School
 Major Project Grant: A4440 Worcester Southern Link Road Phase 4
 Office of the Public Guardian Inspection for Appointees and Deputies
 Archaeology
 CQC inspection regime
 Dodford School

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	Not Due	Transferred	Cleared	0-3 months	3-6 months	6-12 months	>12 months
Substantive Assurance Audits							
2020/21-81 - Transport services, external and internal management and reporting			2	1		1	
Moderate Assurance Audits							
2021/22-55 - Capital and Business Case Development	1						
2021/22-52 - St Richard's CE First School					7		
2021/22-50 - Grove Primary School			8		1		
2021/22-20 - Chaddesley Corbett Endowed Primary School			4		9	2	
2021/22-11 - Comberton Primary School	4		2				
2020/21-50 - PY - Asset management - Property	3		4	2			
Limited Assurance Audits							
2021/22-75 - Redhill Primary School	9						
2021/22-07 - HR mileage and expenses				4			
2021/22-05 - Insourced services – advisory and assurance support	1						
2020/21-76 - Rigby Hall Day Special	6		6	3			
2020/21-67 - Long term agency and consultancy placements		2	5				
2020/21-45 - Elmley Castle First			16				1
2020/21-42 - Debt management	15						
2019/20-69 - North Bromsgrove High School		1	8				
	39	3	55	10	17	3	1

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AUDIT AND GOVERNANCE COMMITTEE

23 SEPTEMBER 2022

ANNUAL GOVERNANCE UPDATE

Recommendations

- 1. The Chief Financial Officer recommends that the Annual Governance update be noted.**

Background

2. The Audit and Governance Committee received the Annual Governance Statement at its July meeting, as part of that an action plan was provided to Committee. This report gives the Committee an update.

Progress

3. An update on the actions is attached as an Appendix to this report, this shows:
 - Overall, the actions are on time and being progressed.
 - There has been some delay arising from the recent departure of the Monitoring Officer.
4. A large proportion of this work is due to be delivered in the final quarter of this year and as such this progress is broadly as expected and a further report will be brought to the December Committee.

Contact Points

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Supporting Information

Appendix - Annual Governance Statement 2021/22 Action Plan Progress

Background Papers

In the opinion of the proper officer (in this case the Chief Financial Officer) there are no background papers relating to the subject matter of this report.

Annual Governance Statement 2021/22 Action Plan Progress

Task	How	Progress
<p>Financial Management & Resilience: ensuring that financial monitoring is supported by a robust and realistic budget and effective and timely in-year monitoring of performance against budget and delivery of agreed savings plans.</p>	<p>The Finance Improvement Programme has a series of projects to undertake work on financial reporting, controls and E5 maximisation.</p> <p>This will be linked to the revisions / interdependency below relating to improvements in the coming financial year to the performance and business planning framework.</p> <p>Agree the expectancy and support with SLT/COG</p> <p>Move forward on self-service, with clear roles and accountability (linked to training below), for example ensuring budget for spend is secured before any decision is taken and that decision is in line with the scheme of delegation also noted below.</p>	<p>Overall, the FIP Project is on schedule. The FIP has been agreed with Chief Officer Group (COG), a project team is working on the projects around using Power BI to improve Financial Reporting.</p> <p>An intranet development project team is in place but has been delayed due to a VAT inspection drawing key personnel and the corporate IT resource still required for the Internet Development.</p> <p>Work is underway on Open Banking which will improve the way we take and make payments.</p> <p>Discussions are underway related to further mandatory Finance Training and specific performance objectives for budget holders.</p>

Task	How	Progress
<p>An assurance gap analysis of decision making, including boards and roles of directors to help drive a constitutional refresh to support and strengthen effective business decision making. This will include for example schemes of delegation and contract procedure rules.</p>	<p>The Business Support Team will map all decision-making Boards, projects and the forward plan for internal and external meetings (for example SLT or Cabinet).</p> <p>SLT/COG to recommend a reduction and focus of all boards, with then COG having an oversight of all Boards and exception reporting which can then be escalated as appropriate to SLT.</p> <p>This will comment on the constitutional and decision making of those boards and projects within, as well as make recommendations to the constitutional review for improvements to the Constitution / schemes of delegation as well as policies and procedures. Including ensuring all policies and procedures reference are in place and up to date, and compliant / consistent with other policies.</p> <p>All Strategic Directors to sign off Directorate Scheme of Delegation each February and carry out mid-year review (September) to make any changes (with standard template of core requirements – i.e. Finance, HR, etc...)</p>	<p>Progress has been delayed due to the departure of the Monitoring Officer. A summary of the existing Boards and potential boards has begun with COG but is now expected to conclude in December 2022. That is three months behind schedule. However, the impact should not have an impact on the constitutional changes work. This will be picked up by the Interim Monitoring Officer.</p> <p>Work is on going to develop a Scheme of Delegation template, again this work will need to now be picked up by the Interim Monitoring Officer.</p>

Task	How	Progress
	<p>Procurement Rules & Contract Procedure Rules to be updated by Feb 2023 and annual review going forward</p> <p>All managers to complete mandatory training on decision making and understand role and accountability, as well as decision making powers with consequences also understood for not following.</p> <p>Annual Report on compliance to go to the Audit & Governance Committee</p>	<p>This work is in progress.</p> <p>A training module is still to be drafted and again this work will need to now be picked up by the Interim Monitoring Officer.</p> <p>This will be addressed in May 2023.</p>
<p>Strengthen the Council's performance framework, including service plans linked to performance and medium-term financial plans.</p>	<p>A review of the business planning cycle with improvement and embedding for 2023/24 with actions to enable that in 2022/23 that ensure all areas have a service plan, KPIs and aligned budget to delivery that meets the MTFP.</p> <p>This will be set out in an overarching document for each level of responsibility that includes the roles, accountability / timings and expectations and consequences for not delivering against these.</p>	<p>A draft cycle has been presented to COG and the Project Management and Performance Management Teams are progressing the development of this for the production of 2023/24 Business Plans and associated documents.</p>

Task	How	Progress
Strengthen the process around capital decision making, including business cases.	<p>Undertake a review of learning and best practice from current schemes to recommend improvements.</p> <p>Update the Constitution and Financial Regulations to set out that improved process with appropriate policies and procedures, as well as training and clarity of roles.</p> <p>Gateways and decision making is clear, for example prioritisation scoring, MRP and costs more transparent in the decision-making process and the process is followed with consequences</p> <p>The delegations, including specificity of the schemes being carried out and funding under the Capital Programme are transparent and approved.</p>	<p>A Capital Board is now in place and a review commissioned from external Financial Advisors.</p> <p>This is in progress and on time.</p> <p>This is an expected recommendation from the external advisors work and being defined in readiness to recommend to a future Capital Board.</p> <p>The Capital Board Terms of Reference are in draft and will feed into the Constitutional review.</p>
Further enhance the working between Officers and Members, including Officer Register of Interests.	<p>A LGA sponsored programme of development.</p> <p>A review and continuous learning and improvement of the Member / Officer protocols.</p> <p>Formal annual update of the officer register of interest linked to performance reviews, with mandatory training so all are aware.</p>	<p>LGA development days were held in July 2022.</p> <p>This work will need to now be picked up by the Interim Monitoring Officer.</p> <p>This work will need to now be picked up by the Interim Monitoring Officer.</p>

Task	How	Progress
<p>Focus on core competency training and development for all employees, in particular HR, finance, decision making and performance management.</p>	<p>Design development programmes across various levels within the organisation for managers, supervisors and staff to ensure that competencies required at each level enable each to perform their duties effectively.</p> <p>2023 Performance Reviews to include standard targets / objectives for all staff appropriate to their level around HR, Finance and Decision Making. With direction to training as required. This includes thus focused mandatory training as appropriate to role across different levels, and corporate training basic level for all.</p> <p>2023 Performance monitored and reported on these competencies with appropriate reward, development and action.</p>	<p>The Officer Training Module is now live on the Intranet to record and direct individual's training.</p> <p>The development programme is being developed alongside need, including Well-Being in line with the HR Strategy.</p> <p>These are in progress regarding review.</p> <p>Our Performance maturity is being evolved in line with this for later in 2023.</p>

AUDIT AND GOVERNANCE COMMITTEE

23 SEPTEMBER 2022

STATUTORY ACCOUNTS AND PENSION FUND 2021/22 – EXTERNAL AUDIT UPDATE

Recommendation

- 1. The Chief Financial Officer recommends that the update on Infrastructure Assets, and the impact on the 2021/22 Audit and Accounts timetable be noted.**

Background

2. In July 2022, the Committee noted the 2021/22 draft Final Accounts pack, and were advised on the timetable for the publication of the audited accounts.
3. The Committee also noted the key issue affecting all local authorities regarding the accounting treatment and disclosure of infrastructure assets within the Financial Statements. The net book value of infrastructure assets in Worcestershire is £418.7m as at 31 March 2022, per the draft financial statements.
4. In addition, the Committee noted the CIPFA consultation on implementing temporary proposals relating to infrastructure assets, and that the Council would continue to work with external auditors on this technical issue and consider developments and formal guidance as it is issued.

Update on Infrastructure Assets

5. The CIPFA Local Authority (Scotland) Accounts Advisory Committee (LASAAC) has recently approved an update to the Accounting Code that will remove the requirement to report gross cost and accumulated depreciation. The Code Update is still subject to formal consideration by the Government's Financial Reporting Advisory Board, but it is anticipated that the update to the Code will be available during mid to late September. This should remove the auditors' concerns about reporting of gross book values and accumulated depreciation.
6. CIPFA has confirmed that it is now working with the Government and devolved administrations on a time limited statutory prescription (override) related to component derecognition. Whilst the Government's decision on this is still awaited, it is hoped that this will address auditors' concerns about the efficacy of net book values for infrastructure assets.
7. The remaining issue would then be the requirement to demonstrate the effectiveness of depreciation policies for infrastructure assets.

8. If approved by the Financial Reporting Advisory Board, the statutory override will allow auditors (notwithstanding any other issues that arise from audit) to sign off accounts without qualifications. However, the anticipated update to the Code is still some weeks away.

9. An additional Audit and Governance Committee has been scheduled for 4 November to receive the External Audit Findings Report. This allows for publication of the audited statements by the 30 November statutory deadline as shown in Table 1 below.

Table 1: Accounts Process (revised)

Area	Council Plan (original)	Council Plan (revised)	Statutory Deadline
Publication of Draft Accounts	4 July 2022	4 July 2022	31 July 2022
Public Inspection Period	4 July to 12 August 2022	4 July to 12 August 2022	Commence on or before 1 August 2022
Publication of Audited Accounts	23 September 2022	4 November 2022	30 November 2022

External Audit Progress

10. Representatives of Grant Thornton, the Council's external auditor will be attending the meeting to give a verbal update.

Contact Points

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Background Papers

In the opinion of the proper officer (in this case the Chief Financial Officer) there are no background papers relating to the subject matter of this report.

AUDIT AND GOVERNANCE COMMITTEE

23 SEPTEMBER 2022

RISK MANAGEMENT UPDATE

Recommendations

- 1. The Chief Financial Officer recommends that the Risk Management update be agreed.**

Background

2. Risk Management is a key part of effective governance for the Council. Understanding the risks we face and managing them effectively has a number of significant benefits, including informed decision making, planning, and enabling us to make the most of opportunities to achieve our strategic ambitions.
3. We have committed to actively engaging with the workforce and wider stakeholders to identify, assess, manage, mitigate, and review risk to support the effective, efficient, and cost-effective operation of the council.
4. The adoption of the new risk management system has expanded significantly across the organisation, which continues our ambition for a strong risk management culture to be fully embedded within the Council.

Strategic Risk Progress

5. We are currently reviewing the risk reporting to continue to enable both operational and strategic direction to the risk management process. The first 4 strategic areas currently being collated are:
 - Harm – risk to a user or employee
 - Service – risk to service delivery
 - Finance – risk to financial stability and future sustainability; and
 - the Nolan Principles / Corporate Governance – risk to the way we govern and take decisions throughout the organisation.
6. A framework is being trialed to ensure the relevant risks are clearly identified and appropriate mitigation strategies are in place. The detailed section of this report sets out more information on these risk areas.

Corporate Risk Management Group (CRMG)

7. An established CRMG have set the wider risk framework and have the responsibility of reviewing and challenging strategic risks monthly, supported by the specialist leads from all areas of the council.

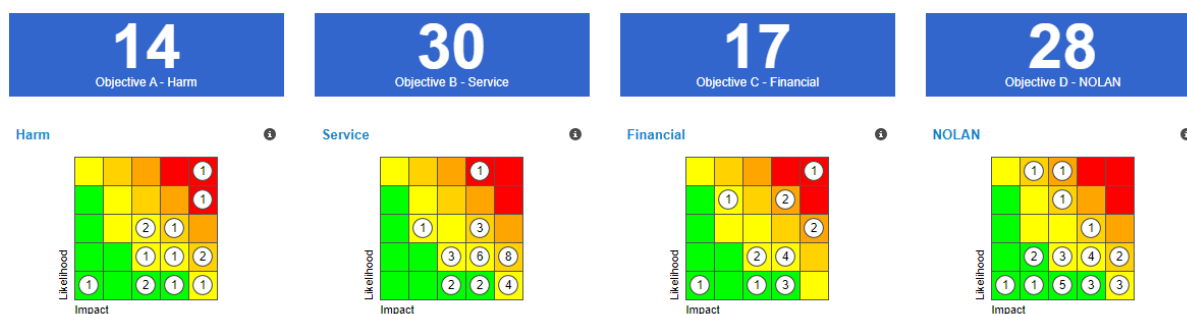
8. The group assist with the implementation and management of risk across all aspects of the Council's activities. They support decision-making by embedding risk within directorates and coordinating the escalation of risks on to the risk management system.

Risk management

9. The new risk management system is now in place and has been adopted not only at directorate level but across 14 service areas and 34 operational risk registers giving a more accurate picture of risk. This new approach has increased the number of risks which are being operationally managed, giving improved information and a better understanding of the Council's wider risk profile.

10. The system allows for the review of Emerging or Future risks, as well as tracking golden threads, for example where risks around second jobs were identified in the People Directorate, corporate mitigations have been introduced to include declaring interests as part of the staff appraisal process.

11. As part of the process the following strategic risks analysis has been collated from the operational risk registers:

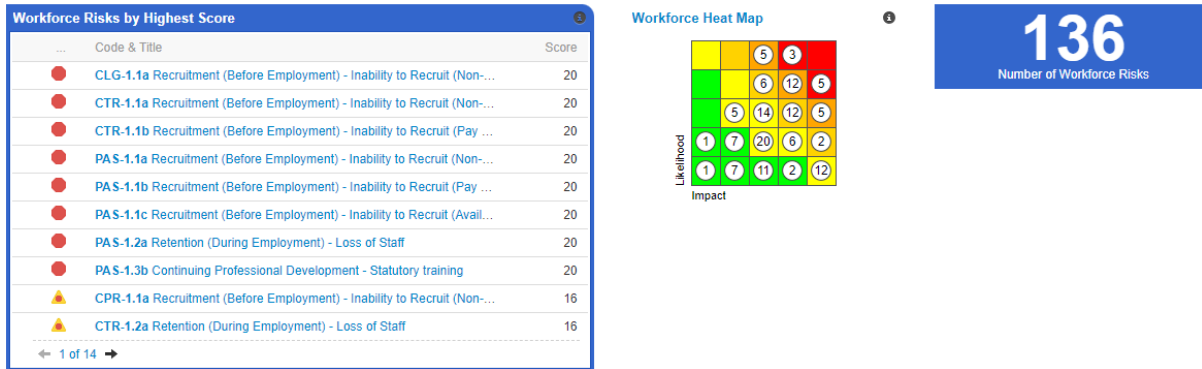


12. This identifies that Adults and Children are continuing to identify potentially high risks related to the possible 'Harm' of a vulnerable person in our care or employee, these risks are continually being mitigated, daily through various actions and policies, as well as regular case reviews and continuous learning and improvement. It is worth noting that these risks will not be eliminated entirely. In 'Service', Adult Social Care manage daily the position related to hospital discharges which is impacting on their ability to deliver services. This is a key focus of the Integrated Care Service (ICS). In the latest Financial Report to Cabinet in September 2022 identifies growing pressures related to the cost of care in both Adults and Children that will need to be managed and not unique to Worcestershire.

13. This analysis can also be seen from a directorate perspective as set out below:



14. An emerging operational risk relates to Workforce, where a number of service areas are reporting a higher risk than previously shown around recruitment and retention. This is particularly true in professional areas. HR and SLT are aware and reviewing this risk.



15. The Risk Management team will continue to monitor all high and emerging risks to escalate any relevant matters through Directorate Leadership Teams and to Strategic Leadership Team to ensure a transparent overview of risk throughout the council.

16. The Risk Management team and CRMG, will be working collaboratively to ensure a consistent and informed risk process is fully embedded in the Council and will actively engage the Audit and Governance Committee in that process.

Contact Points

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Background Papers

In the opinion of the proper officer (in this case the Chief Financial Officer) there are no background papers relating to the subject matter of this report.

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AUDIT AND GOVERNANCE COMMITTEE

23 SEPTEMBER 2022

PEOPLE DIRECTORATE – DEBT POSITION STATEMENT

Recommendation

1. The Chief Financial Officer recommends that the Debt Position Statement for the People Directorate be noted.

Overview of People Directorate Debt Levels

2. The People Directorate is responsible for the collection of fees and charges in respect of Communities, Public Health and Adult Social Care (ACS). As at 31 July 2022, the total value outstanding was £18.7 million of which 60.7% was aged more than four months old.

Debt @31 July 2022	Up To 30 Days	Installment	31 to 120 Days	121 to 365 Days	>365 Days	Total	No of Customers
People - Adults	2,526,962.50	408,610.62	2,839,817.47	4,629,137.74	4,793,145.58	15,197,673.91	5,991
People - Communities	287,912.67		600,175.84	956,356.07	984,036.95	2,828,481.53	313
People - Public Health	367,905.35		324,853.50	585.14	18,753.65	712,097.64	26
Total	3,182,780.52	408,610.62	3,764,846.81	5,586,078.95	5,795,936.18	18,738,253.08	6,330
% of Total Debt	17.0%	2.2%	20.1%	29.8%	30.9%		

Table 1: People Directorate Debt Outstanding @ July 2022

3. We have reviewed the debt data since December 2020 and as can be seen in Tables 2 and 3, there is an upward trend in the value of debt with Adult Social Care Debt increasing by 36% (to £15.2 million) and other service Areas by 4% (to £5.0 million) as at 31 July 2022. Table 3 below provides further detail of this. This is despite the increasing focus and spend on debt collection in this area. Information from other Authorities would indicate the same trend.

Table 2: People Directorate Debt – Trend Analysis

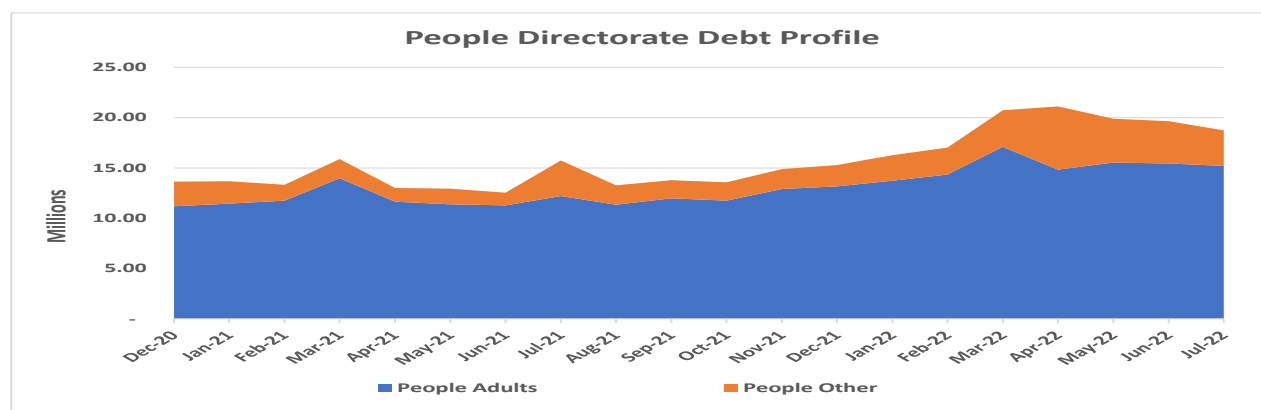


Table 3: People Directorate Debt – Trend Analysis Detail

Period	People Adults	People Communities	People - Public Health	Total
Dec-20	11,194,299.07	2,346,505.37	101,663.18	13,642,467.62
Jul-21	12,201,387.11	3,523,301.19	24,839.04	15,749,527.34
Aug-21	11,350,805.34	1,892,969.57	24,381.80	13,268,156.71
Sep-21	11,979,245.01	1,786,889.02	23,447.56	13,789,581.59
Oct-21	11,761,296.63	1,795,436.88	23,450.56	13,580,184.07
Nov-21	12,911,491.31	1,860,683.79	116,514.19	14,888,689.29
Dec-21	13,174,154.81	2,004,444.04	111,402.60	15,290,001.45
Jan-22	13,739,825.40	2,400,979.16	130,611.98	16,271,416.54
Feb-22	14,347,601.79	2,382,178.60	301,414.49	17,031,194.88
Mar-22	17,097,651.76	3,354,593.19	284,873.32	20,737,118.27
Apr-22	14,831,317.03	6,082,082.27	207,267.33	21,120,666.63
May-22	15,535,167.40	3,996,497.92	371,825.95	19,903,491.27
Jun-22	15,445,033.00	3,828,380.35	378,025.37	19,651,438.72
Jul-22	15,197,673.91	2,828,481.53	712,097.64	18,738,253.08

4. Further detailed analysis of the ASC debt is included below. The figure for Communities includes an amount of £1.1 million which relates to sums invoiced to the University of Worcester in respect of shared costs for The Hive. This invoice has been disputed by the University and the Council's Legal Team are currently exploring the options for legal recovery of this debt.

Adult Social Care (ACS) Debt

5. Charges in respect of ASC are levied against Commercial Organisations, Health Authorities, Local Authorities and Individuals. The 31 July Debt position for each of these groups can be seen in Table 4. (This debt position does not include Deferred Payment Agreements, which are explained in paragraph 14.)

Table 4: ASC Debtors Categorised

Debtor Category	Up to 30 Days £	Installments £	31 to 120 Days £	121 to 365 Days £	>365 Days £	Total £	% of the Total
Commercial Organisation	3,002.53		68,281.43	32,062.40	173,276.83	276,623.19	1.8%
Employee					1,080.82	1,080.82	0.0%
Health Authority			513,792.25	1,298,072.46	36,350.22	1,848,214.93	12.2%
Local Authority	5,600.00		27,900.00	5,578.29	24,631.33	63,709.62	0.4%
Individual in receipt of care	2,518,359.97	408,610.62	2,229,843.79	3,293,424.59	4,557,806.38	13,008,045.35	85.6%
Total	2,526,962.50	408,610.62	2,839,817.47	4,629,137.74	4,793,145.58	15,197,673.91	100.0%

6. Individuals in receipt of social care provision are required to financially contribute towards their care based on their financial position. Care is procured by the Council and charges are invoiced monthly in arrears.

7. Table 5 below shows the value of charges raised for the 12 months up to 31 May 2022, collection rates for all residential and domiciliary customers is 84%. However, for those ASC clients (approximately 37%) who pay by Direct Debt, collection rates are significantly improved at 97%. For service users paying by an alternative method, the collection rates are less successful, with £4.6 million (23.3%) unpaid.

Table 5: ASC Monthly Invoices issued between 1 June 2021 & 31 May 2022

	Invoiced Value	Paid	% Paid	Unpaid	% Unpaid
Total	£32,095,893.62	£27,119,250.69	84%	£4,976,642.93	15.5%
Breakdown					
Paid by DD	£12,035,706.08	£11,726,330.05	97%	£309,376.03	2.6%
Non-DD	£20,060,187.54	£15,392,920.64	77%	£4,667,266.90	23.3%

8. An analysis of the debt over 365 days at Table 6.

Table 6: Adult Social Care Age of Debt over 365 days

Year Raised	Debt > 365 Days	
	£	%
2013	1,074.06	0%
2014	9,717.13	0%
2015	42,478.41	1%
2016	126,428.60	3%
2017	392,669.27	8%
2018	561,879.86	12%
2019	803,940.96	17%
2020	1,920,939.22	40%
2021	934,018.07	19%
Total	4,793,145.58	100%

Transfer of Residential Charges from Providers to WCC

Covid 19 Impact

9. This shows that 76% of the current debt relates to invoices raised since 2019. The table has been annotated to show the 2 key factors that are likely to have contributed to steep rise in debt levels. These being:

- the transfer of invoicing residential care client charges for Care Providers from Liberata to WCC in 2019. Which significantly increased the volume and value of invoices being generated:
- the Covid 19 pandemic. Where service users may have received disrupted services and may have been unable to physically make payments for a prolonged period.

10. It can be argued that the key factors outlined above together with the wider discussion and uncertainty in respect of future ASC charges (now being considered under the Care Cap initiative) has negatively impacted individual's propensity to pay for Adult Social Care. WCC urgently needs to re-engage with these individuals to address this behaviour and change the direction of travel.

11. Legal action is currently being pursued in respect of 118 social care customers for debt value of £2.5 million, with £1.4 million of this value being over 12 months old. Work is ongoing to refer further cases (where possible) over 12 months old and these are being prioritised by value. There are also 1,149 customers in this category (i.e. debts over 12 months) with debts under £1,000 totalling £418k). Note 763 of these customers (£289k) no longer have an ongoing service and consideration may need to be given to writing off some of these debts. This will allow the debt team to focus on those debts where there is a greater chance of recovery. The criteria for write off would need to be understood and costed.

12. The Finance Operational Services (FOS) Debt and Legal Teams continue to chase debts outstanding. Given the scale of the task and the resource available, this is likely to take some considerable time. The Team continues to review the resourcing of this activity and whether external collection provision should or could be used. However, such a move could attract negative publicity, particularly during the “cost of living” crisis.

13. In light of the increasing debt levels, the FOS teams are considering a number of initiatives to improve client engagement and increase payment levels. Specific projects, as well as legal action noted above, include:

- the implementation of an enhanced Billing Module within the Social Care Case Management System, which will provide service users with a monthly holistic view of their account including care provision and payment information to date rather than the current provision of individual monthly invoices.
- progressing the implementation of paperless Direct Debit (DD) functionality, which will make it easier for clients to sign-up for DD collection. As shown above, this has a major impact on payment levels, and we propose that DD be promoted and marketed as the default payment channel for collecting social care charges.
- visibility of debts are now shared with ASC service teams and budget holders on a monthly basis with some teams actively engaging with service users (or their representatives) regarding debt levels and payment activity.
- FOS and the People Directorate are planning to further explore how communication with clients in respect of their financial obligations for care provision can be improved. Client (and/or their financial representative) feedback suggests that in certain cases the nuance of the individual’s financial obligation is lost when dealing with wider care needs. This creates an expectation that care will be fully funded by the Council and changing this perception at a later time, when debt has accrued, can often be extremely challenging, particularly when invoices are issued several months after initial contact from the team.
- Finance continue to review the bad debt provision, which at this stage is felt adequate to provide for the current position.

14. In addition to the ASC invoiced debt noted above, the Council has a longer-term debt that it recognises of £2.7 million (as at July 22) relating to Deferred Payment Agreements. In these cases, eligible service users enter into a legal agreement whereby a charge is placed against property by the Land Registry to secure the Council’s debt. During the lifetime of the loan, daily compounded interest (currently 1.55%) is applied and statements are issued to the service user/representative/estate every 6 months to show the balance of accrued debt. The rate of interest is set nationally. Cases are reviewed annually, and property equity is monitored against current market values. Agreements end on death of the service user or on

the sale of property, the loan is repaid in full and the charge against property is lifted. The Council currently has 76 Deferred Payment Agreements in place.

Contact Points

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Background Papers

In the opinion of the proper officer (in this case the Chief Financial Officer) there are no background papers relating to the subject matter of this report.

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AUDIT AND GOVERNANCE COMMITTEE

23 SEPTEMBER 2022

WORK PROGRAMME

Recommendation

- 1. The Committee is asked to note its future work programme and consider whether there are any matters it would wish to be incorporated.**

Work Programme

4 November 2022

External Audit – Audit Findings Report
 Annual Governance Statement
 Annual Statutory Financial Statements for the year ending 31 March 2022
 (Training Session on Accounting for Property, Plant & Equipment (PPE))

2 December 2022

AGS Action Plan Review
 Internal Audit Progress Report 2022/23 (including changes to Internal Audit service provision)
 External Auditor – Annual Audit Letter
 External Auditor Appointment Update
 Corporate Risk Report
 Schools auditing processes
 Finance Improvement Programme
 Income and Debt Management
 Government Consultation on Audit (including updated training programme)
 (Training Session on Risk Management and Governance)

March 2023

AGS Action Plan Review
 External Audit – Audit Plan 2022/23 and Informing the Risk Assessment 2022/23
 Internal Audit Progress Report 2022/23
 Internal Audit Plan 2023/24
 Corporate Risk Report
 Income and Debt Management
 (Training Session on Capital Expenditure and Financing)

July 2023

AGS Action Plan Review
 Internal Audit Annual Report 2022/23
 Draft Annual Governance Statement 2022/23
 Draft Annual Statutory Financial Statements for the year ending 31 March 2023
 Internal Audit Progress Report 2023/24
 Corporate Risk Report

Income and Debt Management
(Training Session on Treasury Management)

September 2023

Internal Audit Progress Report 2023/24
External Audit – Audit Findings Report
Annual Governance Statement
Annual Statutory Financial Statements for the year ending 31 March 2023
Corporate Risk Report
Finance Improvement Programme
(Training Session on Pensions Administration)

Contact Points

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Background Papers

In the opinion of the proper officer (in this case the Assistant Director for Legal and Governance) there are no background papers relating to the subject matter of this report.