

## AUDIT AND GOVERNANCE COMMITTEE

### 13 DECEMBER 2019

## INCOME MANAGEMENT

### Recommendation

1. **The Chief Finance Officer recommends that the report be noted and a further update be brought to the March Committee.**

### Background

2. At the last Audit and Governance Committees (September 2019) the Committee discussed the Council's approach to debt in response to proposals to redesign the organisations income management. This report updates the Committee on progress on this change programme.

3. The table below shows the latest level of short-term debt stands at £15.9 million, 62% (£9.8 million) of which was raised this financial year. Although new debts are raised and debts paid off on a monthly basis, the recurrent amount of debt outstanding continues to be around £9 - £10 million:

**Table 1 – Summary of aged debt at start of December 2019**

Year	Instalment repayment plan agreed £	With Officers for decision on legal referral £	With Officers for consideration of debt £	With Liberata to refer to Officers £	With Legal to pursue £	Pending Cancellation	Write Off approval £	Less than 30 Days £	Total £	
<b>Aged Analysis:</b>										
Pre 13/14	10,008.50	68,877.20	54.00	120.64	0.00	0.00	0.00	0.00	79,060.34	0.50%
13/14	1,883.38	146,414.79	822.54	4,781.57	0.00	0.00	0.00	0.00	153,902.28	0.97%
14/15	2.81	89,694.01	2,523.87	19,723.21	0.00	0.00	0.00	0.00	111,943.90	0.70%
15/16	9,741.96	254,690.08	22,327.44	44,073.46	0.00	407.78	0.00	0.00	331,240.72	2.08%
16/17	30,233.54	469,456.76	69,173.54	-34,294.14	0.00	0.00	0.00	0.00	534,569.70	3.36%
17/18	73,666.24	1,165,910.50	336,593.31	47,685.48	0.00	9,873.68	0.00	0.00	1,633,729.21	10.26%
18/19	89,654.12	2,565,073.33	782,706.47	-208,729.02	754.55	16,496.67	0.00	0.00	3,245,956.12	20.38%
19/20	1,153,336.87	1,315,334.07	195,765.37	2,947,267.40	241,891.08	0.00	0.00	3,986,338.83	9,839,933.62	61.77%
<b>Total sundry debts</b>	<b>1,368,527.42</b>	<b>6,075,450.74</b>	<b>1,409,966.54</b>	<b>2,820,628.60</b>	<b>242,645.63</b>	<b>26,778.13</b>	<b>0.00</b>	<b>3,986,338.83</b>	<b>15,930,335.89</b>	<b>100.00%</b>
	8.59%	38.14%	8.85%	17.71%	1.52%	0.17%	0.00%	25.02%	100.00%	
								Less Installments	-1,368,527.42	
								Less than 30 days	-3,986,338.83	
								Total debt greater than 30 days and not resolved	10,575,469.64	
								In litigation	242,645.63	2.29%
								With Managers to chase or complete litigation forms	6,075,450.74	57.45%
								With Liberata to refer to Officers	2,820,628.60	26.67%
								Other	1,436,744.67	13.59%
									10,575,469.64	100%

4. Of the total debt recorded, £10.6 million (66%) is greater than 30 days old and included in this figure is:

**Table 2: Debt to chase - Summary**

£7.5m	Is with managers/clerks to determine the next steps to chase, collection or write off debt.
£2.8m	Is with Liberata having sent reminders to next seek advice from Managers as to the next steps for recovery. This is usually the point at which debt becomes greater than 90 days.
£0.3m	Is with legal to pursue through the courts or other measures, or for write off
£10.6m	Total

5. The remainder of the debt is broken down as:

- £4.0 million is less than 30 days old,
- £1.4 million is being collected by agreed instalment plans,

6. Of the £10.6m debt greater than 30 days, the breakdown across Directorates is:

**Table 3: Debt split by Directorate**

Directorate	In Litigation	With managers to chase collection	With Liberata	Total
	£,000	£,000	£,000	£,000
E&I	205	1,612	703	<b>2,520</b>
CfC / WCF	0	1,702	1,799	<b>3,501</b>
Schools	10	168	137	<b>315</b>
Public Health	0	44	87	<b>131</b>
DAS	12	2,989	574	<b>3,575</b>
Finance	0	108	7	<b>115</b>
Coach	15	897	177	<b>1,089</b>
Income received but not yet allocated to individual Debtors		-7	-664	<b>-671</b>
<b>Total</b>	<b>242</b>	<b>7,513</b>	<b>2,820</b>	<b>10,575</b>

7. In addition to the general debt noted above the Council has a Longer-Term Debt that it recognises of £3.6 million relating to social care accrued accommodation costs. This debt is secured against property assets pending sufficient house value. This is regularly reviewed and charges secured against properties.

### **Next steps**

8. A review of income and debt management has been taking place over the last six to nine months. This included a pilot exercise to chase debt reported to the last Committee. In addition, a review of processes, including handovers and responsibilities has been taking place. This has identified a number of improvements in the way debt is set up, the need for debt, the ownership of debt and the chasing process.

9. As a result, Council and SLT have agreed through the redesign programme that income management will be centralised, and processes standardised for income raising and debt collection. In addition, a programme of seeking to secure more payments before service and via our internet has started. This will seek to avoid debt arising in the first instance. The Council's current payment page can be found at the following link – <http://www.worcestershire.gov.uk/pay>.

10. In addition, debt will now be reported to the Audit and Governance Committee on a regular cycle, this report being the first. This Committee will challenge and drive improvement in collection, as well as assess policies and procedures as appropriate to advise Council.

11. Following the conclusion of the Senior Leadership structure consultation the centralised function will sit within the Finance service and the next task is to appoint a manager, it expected this will be complete before Christmas.

12. Separate projects have been started to look at debt in key areas ahead of that, and greater analysis will begin to support and check managers progress. So for example work is ongoing in relation to:

- 20 cases within Adult Social Care dating back over 3 years, totalling £0.425 million are currently being reviewed with a view to pursue legal action.
- Our largest debts typically remain with public sector partners, and we have held discussions with those to seek to gain resolution.

This will help inform policies around when and how to chase debt.

13. It is expected that a policy around income and debt management will be presented to this committee March 2020 for consideration and comments. This will draw out further improvements and actions over the coming 18 months.

### **Legal, Financial and HR Implications**

14. There is a risk that without this work there will be further calls to increase the Council's bad debt provisions which will draw from current resources. In assessing the ability to chase the levels of capacity within Legal, Finance and HR will need to be considered. At this stage these are all risks that we are still seeking to mitigate and further updates will be brought back to this Committee.

## **Contact Points**

### County Council Contact Points

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### Specific Contact Points for this report

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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.