

AUDIT AND GOVERNANCE COMMITTEE

13 MARCH 2020

INCOME MANAGEMENT

Recommendation

- 1. The Chief Finance Officer recommends that the Income Management report be noted.**

Progress on Income Management

2. At the last meeting (13 December 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. Since December, we have advertised and recruited a Financial Transactions Manager in late February. Confirmation of the income and payments teams that will be managed by this post will be confirmed over the next 4 months following a process of consultation although it is expected that many of the existing functions will remain as they currently are.
4. The Council's Senior Leadership Team have already endorsed the centralisation of income management, and that processes will be standardised for income raising and debt collection. Our plans under the Finance Improvement Programme are being progressed.
5. Setting this aside, we have been undertaking deeper analysis around corporate debts that are over 30 days old and are able to include that later in this report.
6. We have continued to negotiate with strategic partners over debts they have with us. Although this is not proving to be a quick process, we are determined to increase our efforts for resolution, and this is being helped by support from our legal services colleagues.
7. With regard to our adult social care home care debt which is around £2.1 million, whilst the majority of this which is set up to be collected automatically by Direct Debit, there are a significant number of telephone calls received by the finance team to discuss either their account or to enquire into details of the provision of home care, the latter calls need to be passed to operational social care colleagues to respond to. Teams are finding it difficult to respond quickly to the volume of incoming calls, made worse if they subsequently need to be passed on to others whilst customers wait on the line to be connected to the right person. Whilst accounts are under query, they often need to be blocked for collection and therefore balances are included in debts outstanding.

8. In order to reduce debt, we need to facilitate better resolution of queries so that accounts will be paid, and as such we are currently implementing a new telephony process together with updating the design of the billing documents and reminder letters. Whilst this sounds straight forward, it involves a number of different Council teams, Liberata and Advanced (the supplier of our general ledger accounting system) to co-ordinate efforts.

9. We are expecting implementation during April, from which time calls will be routed direct to the appropriate team and this will ultimately improve collection rates and be a better contact experience for customers.

10. We are also increasing our resources around chasing failed direct debit payments and working with our service supplier Liberata on process and data improvements.

Latest position on debts

11. The table below shows the latest level of short-term debt stands at £16.3 million, 66% (£10.7 million) of which was raised this financial year.

Table 1 – Summary of aged debt at start of 31 January 2020

Year	Instalment Repayment Plan Agreed	With Officers for decision on legal referral	With legal to persue	With Officers for consideraton of debt	Pending Cancellation	Write off Approval	Less than 30 Days	With Liberata to refer To Officers	Total	
	£	£	£	£	£	£	£	£	£	£
Aged Analysis:										
Pre 13/14	9,438.84	49,301.00	9,972.67	14,174.17	0.00	0.00	0.00	-7,337.91	75,548.77	0.46%
13/14	1,808.38	97,631.66	3,661.03	46,019.43	0.00	0.00		1,178.08	150,298.58	0.92%
14/15	2.81	75,413.18	20,157.19	7,715.03	137.09	0.00		2,582.72	106,008.02	0.65%
15/16	8,920.53	121,434.31	46,330.17	57,209.01	18,097.37	0.00		24,352.22	276,343.61	1.70%
16/17	29,419.08	313,385.65	28,788.93	188,357.93	1,311.81	0.00		-52,659.10	508,604.30	3.12%
17/18	64,301.46	1,071,492.38	2,984.75	410,385.96	12,652.73	0.00		-15,657.74	1,546,159.54	9.49%
18/19	68,549.87	2,050,857.81	0.00	835,034.38	66,952.93	0.00		-97,569.03	2,923,825.96	17.94%
19/20	468,501.49	2,671,765.37	0.00	382,062.37	9,162.11	0.00	5,227,075.90	1,949,304.97	10,707,872.21	65.71%
Total sundry debts	650,942.46	6,451,281.36	111,894.74	1,940,958.28	108,314.04	0.00	5,227,075.90	1,804,194.21	16,294,660.99	100.00%
	3.99%	39.59%	0.69%	11.91%	0.66%	0.00%	32.08%	11.07%	100.00%	
								Less Installments	-650,942.46	
								Less than 30 days	-5,227,075.90	
								Total	10,416,642.63	63.93%
								Of which		
								In litigation With Managers to chase or complete litigation forms	111,894.74	1.07%
								With Liberata to refer to officers	6,451,281.36	61.93%
								Other	1,804,194.21	17.32%
									2,049,272.32	
									10,416,642.63	

12. Of the total debt recorded, £10.417 million (64%) is greater than 30 days old and included in this figure is:

Table 2: Debt to chase - Summary

1/12/19 <i>(reported to Last A&G)</i>	31/1/20	Comment
£7.5m	£8.5m	With managers/clerks to determine the next steps to chase, collection or write off debt.
£2.8m	£1.8m	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	£0.1m	With legal to pursue through the courts or other measures, or for write off
£10.6m	£10.4m	Total

Table 3: Debt to chase – Aged Debt Analysis

Sum of Balance Outstanding	Column Labels ▾					
Row Labels	<input checked="" type="checkbox"/> Less than 1 Mth	1 to 3 Mths	3 to 6 Mths	6 to 12 Mths	Over 12 Mths	Grand Total
In Litigation					111,894.74	111,894.74
With Liberata	902.50	1,724,623.85	239,928.37	47,665.85	-208,926.36	1,804,194.21
With Managers to chase collection	22,683.01	115,858.66	1,581,337.79	2,069,898.76	4,710,775.46	8,500,553.68
Grand Total	23,585.51	1,840,482.51	1,821,266.16	2,117,564.61	4,613,743.84	10,416,642.63

13. The £10.4 million debt greater than 30 days can be further categorised for each Directorate as follows:

Table 4: Aged Debt Analysis - split by Directorate

Sum of Balance Outstanding	Column Labels ▾					
Row Labels	<input checked="" type="checkbox"/> Less than 1 Mth	1 to 3 Mths	3 to 6 Mths	6 to 12 Mths	Over 12 Mths	Grand Total
Coach		90,661.24	23,892.20	209,268.66	162,622.80	486,444.90
E&I	58.00	510,128.78	520,246.37	562,816.52	664,383.54	2,257,633.21
Finance	144.13	66.79	100.02	134.70	101,151.76	101,597.40
Income received but not yet allocated to individual Debtors		-149,176.79	-126,430.35	-102,557.43	-234,027.66	-612,192.23
Schools	1,568.60	175,965.35	25,665.95	86,022.08	323,616.25	612,838.23
WCF		487.08	33,144.00			33,631.08
People - Children		101,104.98	577,959.81	482,059.47	829,779.87	1,990,904.13
People - Adults	21,814.78	1,104,537.08	756,664.76	872,237.59	2,751,540.49	5,506,794.70
People - Public Health		6,708.00	10,023.40	7,583.02	14,676.79	38,991.21
Grand Total	23,585.51	1,840,482.51	1,821,266.16	2,117,564.61	4,613,743.84	10,416,642.63

14. Debts recorded as Finance as above relate to where finance staff have raised debts on behalf of a service directorate.

15. The top 20 debtors, anonymised, are as follows:

Table 4: To 20 Debtors - Anonymised

Sum of Balance Outstanding Customer Name	Debt Age					Grand Total
	Less than 1 Mth	1 to 3 Mths	3 to 6 Mths	6 to 12 Mths	Over 12 Mths	
Education Sector		144.00	208,993.20	67.90	409,975.40	619,180.50
NHS		110,265.55	40,809.16	10,057.14	314,776.06	475,907.91
Company		77,967.41	82,836.19	104,852.86	69,113.57	334,770.03
Company		83,295.00	5,135.00	175,877.06	68,246.50	332,553.56
Company			208,182.00	65,948.46		274,130.46
Company		134,340.85	73,889.70			208,230.55
Council		42,438.29	3,763.41	147,688.04	12,962.84	206,852.58
NHS				175,638.05		175,638.05
Company				10.00	172,972.67	172,982.67
Company		156,353.04				156,353.04
Company			145,653.83			145,653.83
Individual				119,057.43		119,057.43
Individual					111,582.80	111,582.80
Education Sector		64,877.46	12,681.37	23,637.81	5,810.41	107,007.05
NHS					92,502.00	92,502.00
NHS					92,388.24	92,388.24
Education Sector				90,376.85		90,376.85
Council		29,619.48	1,440.00	5,000.00	54,239.42	90,298.90
Council			-1,000.00	80,934.00	9,964.00	89,898.00
Company		4,140.00		2,749.00	76,442.50	83,331.50
Grand Total		703,441.08	782,383.86	1,001,894.60	1,490,976.41	3,978,695.95

16. Senior council officers are discussing with the education sector, Council and NHS debtors to obtain payment.

17. The debtors marked as 'individual' are more sensitive as they relate to social care service.

18. Where companies owe us money, we are liaising with operational managers responsible for contracting with them to ensure the most appropriate debt collection method is chosen.

19. In addition to the general debt noted above the Council has a Longer-Term Debt that it recognises of c.£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.

S106 Monies

20. Section 106 of Town and Country Planning Act 1990 enables the Council to make agreements with developers about concessions and contributions that the developer must take to reduce their impact on the community.

21. The majority of the Councils S106 Agreements relate to highways and are managed by the Environmental and Infrastructure Directorate (E&I).

22. Developer proposals are considered by appropriate teams within E&I, such as Traffic Management, Road Safety, Maintenance, Passenger Transport, and these are

considered by the Development Management Team with recommendations made to the relevant district council planning authority.

23. The County Council currently holds on its balance sheet £14.977 million of Section 106 monies relating to around 220 highways schemes as at February 2020. We are expecting to receive further Section 106 monies in the near future relating to several signed agreements and there are several other schemes which are in development, but no formal agreement is yet in place.

24. Education S106 Agreements are managed on behalf of the Council by Worcestershire Children First.

25. There are currently £14.460 million of estimated contributions of Section 106 monies from signed agreements relating to around 120 schemes as at January 2020 with £12.052 million of Section 106 funds held.

26. Looking forward, the Chief Financial Officer, through the Hereford and Worcester Treasurer's Association, will aggregate and corroborate all S106 monies held either by the County Council or District Councils, to support most appropriate and timely use of monies received.

Legal, Financial and HR Implications

27. 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

County Council: 01905 763763

Worcestershire Hub: 01905 765765

Specific Contact Points for this report

Michael Hudson, Chief Financial Officer, 01905 845560, mhudson@worcestershire.gov.uk

Mark Sanders, Chief Accountant, 01905 846519, mssanders@worcestershire.gov.uk

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.