

AUDIT AND GOVERNANCE COMMITTEE

2 OCTOBER 2020

INCOME MANAGEMENT

Recommendation

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

Progress on Income Management

2. The last three Audit and Governance Committees have discussed the Council's approach to debt in response to proposals to redesign the organisations income management. The last report (30 July 2020) noting deferral of a large element of the work due to the response to COVID-19. This report updates the Committee on progress on this change programme.
3. Since July the newly appointed Financial Transactions Manager has advertised the new Income and Debt Manager post. Interviews will be carried out 12 October 2020 and a further update will be provided to the next Committee. Confirmation of further posts within the income team will then be managed by these posts.
4. To restate; the Council's Strategic Leadership Team have already endorsed the centralisation of income management, and that processes will be standardised for income raising and debt collection. A priority plan to do this will go to Chief Officers Group (COG) in late October.
5. Whilst collection of aged debt was paused due to recovery and response in relation to COVID-19 we have rebooted since last Committee undertaking deeper analysis around corporate debts that are over 30 days old and are able to include that later in this report. Although it is noted that progress has been slow due to the current complexity of managing this within the COVID environment.

Latest position on debts

6. The table below shows the latest level of total debt stands at £22.2 million, 79% (£17.5 million) of which was raised over the last year and a half. The debt over a month old that is not scheduled to be collected by agreed instalments totals £16.8 million (76%), which is £6 million more than last reported to Committee.

Table 1 – Summary of aged debt at 1 September 2020

Year	Instalment	Litigation	* With Legal	* With Officers	Pending Cancellation	Pending W/Off	< 30 Days	* To be referred To Officers	Total		Cum. Total
	£		£	£		£	£	£	£		£
Aged Analysis:											
01/02	0.00	0.00	5,119.38	0.00	0.00	0.00		0.00	5,119.38	0.02%	5,119.38
02/03	0.00	0.00	0.00	0.00	0.00	0.00		0.00	0.00	0.02%	5,119.38
03/04	0.00	0.00	1,099.36	0.00	0.00	0.00		0.00	1,099.36	0.03%	6,218.74
04/05	0.00	827.61	0.00	0.00	0.00	0.00		0.00	827.61	0.03%	7,046.35
05/06	0.00	0.00	0.00	0.00	0.00	0.00		0.00	0.00	0.03%	7,046.35
06/07	16.24	0.00	0.00	0.00	0.00	0.00		0.00	16.24	0.03%	7,062.59
07/08	0.00	0.00	3,215.82	0.00	0.00	0.00		0.00	3,215.82	0.05%	10,278.41
08/09	0.00	1,491.69	0.00	68.23	0.00	0.00		0.00	1,559.92	0.05%	11,838.33
09/10	0.00	1,091.28	0.00	0.00	0.00	0.00		0.00	1,091.28	0.06%	12,929.61
10/11	0.00	2,453.94	142.79	0.00	0.00	0.00		-7,662.00	-5,065.27	0.04%	7,864.34
11/12	10.00	2,539.70	0.00	54.00	0.00	0.00		0.00	2,603.70	0.05%	10,468.04
12/13	0.00	34,559.21	58.50	13,772.75	0.00	0.00		324.09	48,714.55	0.27%	59,182.59
13/14	940.77	95,280.05	3,661.03	1,189.95	0.00	0.00		17,541.75	118,613.55	0.80%	177,796.14
14/15	0.00	71,497.36	20,157.19	8,123.14	137.09	0.00		2,408.40	102,323.18	1.26%	280,119.32
15/16	0.00	146,484.11	63,639.76	58,329.04	787.78	0.00		-5,930.14	263,310.55	2.45%	543,429.87
16/17	156.38	312,373.00	28,788.93	174,223.99	1,066.81	0.00		-22,739.83	493,869.28	4.67%	1,037,299.15
17/18	22,873.38	971,862.98	2,884.75	418,803.73	12,146.73	0.00		18,235.09	1,446,806.66	11.19%	2,484,105.81
18/19	13,516.17	1,391,392.14	0.00	807,816.52	47,002.32	0.00		-97,712.87	2,162,014.28	20.94%	4,646,120.09
19/20	34,336.34	2,035,250.75	0.00	665,707.27	9,160.74	0.00		3,589,023.34	6,333,478.44	49.46%	10,974,479.15
20/21	1,845,238.35	6,767.64	0.00	89,338.79	23,106.29	0.00	3,516,190.45	5,729,429.81	11,210,071.33	99.98%	22,184,550.48
Total sundry debts	1,917,087.63	5,073,871.46	128,767.51	2,237,427.41	93,407.76	0.00	3,516,190.45	9,222,917.64	22,189,669.86	0.00%	
	8.64%	22.87%	0.58%	10.08%	0.42%	0.00%	15.85%	41.56%	100.00%		
								Less Installments	-1,917,087.63		
								Less < 30 days	-3,516,190.45		
								Total	16,756,391.78		
							Of which	In litigation	128,767.51	0.77%	
								With Managers to chase or complete litigation forms	5,073,871.46	30.28%	
								not yet sent to managers by Liberata	9,222,917.64	55.04%	
								Other	2,330,835.17		
									16,756,391.78		

7. Of the total debt recorded greater than 30 days old, for which there is not an instalment or pending cancellation is £16.8 million. That is a significant increase since the last report, and a comparison is set out below to the last reporting to this Committee:

Table 2: Debt to chase - Summary

31/1/20 <i>(reported to Last A&G)</i>	1/9/20	Comment
<i>£2.0m</i>	£2.4m	With managers/clerks to determine the next steps to chase, collection or write off debt.
<i>£1.8m</i>	£9.2m	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.
<i>£6.5m</i>	£5.1m	Litigation action being taken through final reminders
<i>£0.1m</i>	£0.1m	With legal to pursue through the courts or other measures, or for write off
<i>£10.4m</i>	£16.8m	Total

8. This increase was expected due to the prioritisation of workload as a result of COVID-19 response and recovery. However, action is now needed to recover this. A further analysis has been undertaken of all debts greater than £50,000. In total there are 49 such debtors which account for £12.1 million, that is 48% of the total debt due greater than 30 days. Of this £3.5 million is with the NHS and £2 million with other public bodies. An anonymised analysis is as follows:

Table 3: Top 49 Debtors - Anonymised

Type of debtor	Less than 1 Mth	1 to 3 Mths	3 to 6 Mths	6 to 12 Mths	Over 12 Mths	Grand Total	Grand Total by debtor type
Care provider					56,934.31	56,934.31	
Care provider	50,370.00					50,370.00	
Care provider			54,934.29			54,934.29	162,238.60
individual	54,557.07				327.14	54,884.21	
individual	124.80		13,735.66	55,140.00		69,000.46	
individual					111,582.80	111,582.80	
individual					52,854.20	52,854.20	
individual					81,184.60	81,184.60	
individual					119,057.43	119,057.43	
individual				2,402.50	65,310.50	67,713.00	
individual					69,005.53	69,005.53	
individual			32,645.42		62,497.04	95,142.46	
individual			30,562.56	30,562.56	1,890.40	63,015.52	
individual		46,731.71	3,669.29			50,401.00	
individual	1,726.29	60,430.50				62,156.79	895,998.00
insurance		1,210.18	200.00	30,857.22	21,898.83	54,166.23	
insurance	625.00	19,032.00	1,533.94	24,692.48	6,235.09	52,118.51	106,284.74
internal	28,904.40	500.00	683,507.64	215.40		713,127.44	713,127.44
nhs			223,202.00	399,613.96	56,331.47	679,147.43	
nhs			108,917.85	117,741.70	29,529.06	256,188.61	
NHS			62,000.00			62,000.00	
nhs		18,938.27	10,892.98	41,967.69		71,798.94	
nhs		33,511.75			175,638.05	209,149.80	
nhs					92,388.24	92,388.24	
nhs			66,266.30			66,266.30	
nhs		2,063,499.23				2,063,499.23	3,500,438.55
other					53,683.78	53,683.78	53,683.78
Other public sector		2,889.00	2,287.50	67,866.26	71,403.12	144,445.88	
Other public sector	58,907.04	60,777.66	71,239.95	14,396.14	20,372.72	225,693.51	
Other public sector	432.00		4,200.00	-1,200.00	89,898.00	93,330.00	
Other public sector	15,539.09	289,911.66	68,348.78	208,993.20	410,043.30	992,836.03	
Other public sector		18,151.25	37,681.97	3,753.62	39,180.22	98,767.06	
Other public sector				5,730.00	59,665.40	65,395.40	
Other public sector		31,000.00	840.00	1,059.00	55,863.97	88,762.97	
Other public sector	61,987.70			-5,769.75		56,217.95	
Other public sector	20,000.00		106,000.00			126,000.00	
Other public sector				51,673.30	36,100.00	87,773.30	1,979,222.10
pfi	1,208,175.20			216.00	8,563.37	1,216,954.57	
pfi	3,675.06	1,388,446.61	1,881.78		13,925.00	1,407,928.45	2,624,883.02
s106					65,948.46	65,948.46	
s106	48.00			145,653.83		145,701.83	
s106			65,306.88			65,306.88	
s106		35,203.90		157,077.00		192,280.90	469,238.07
School	5,844.65	71.75	3,152.00	29,215.96	16,007.52	54,291.88	
School		442,528.00	1,850.64		1,211.79	445,590.43	
School	317.10	44.93			172,982.67	173,344.70	673,227.01
utility	40,710.00	63,540.06	103,379.00	60,764.43	91,521.43	359,914.92	
utility	13,732.50	9,385.00	3,552.00	65,959.00	165,219.56	257,848.06	617,762.98
WCF		12,040.16	300,446.54	169.80		312,656.50	312,656.50
	1,565,675.90	4,597,843.62	2,062,234.97	1,508,751.30	2,374,255.00	12,108,760.79	12,108,760.79

9. Senior council officers are discussing with the education sector, Council and NHS debtors. The debtors marked as 'individual' are more sensitive as they relate to social care services.

10. One positive to note in the last few months has been the significant increase in payment instalment plans agreed with debtors. When last reported to Committee there was a total of £0.651 million of debt being collected in this way. Today that has risen to £1.9 million. There have also been a number of successful court settlements reached.

Legal, Financial and HR Implications

11. 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

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.