

AUDIT AND GOVERNANCE COMMITTEE

4 DECEMBER 2020

INCOME MANAGEMENT

Recommendation

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

Progress on Income Management

2. The Audit and Governance Committee has been receiving regular updates on the Council's approach to managing short term debt and redesigning the organisations income management processes. This report updates the Committee on progress with this change programme.
3. Since the last Committee meeting in October 2020, we have successfully recruited to two senior management roles; Payments Manager and Income and Debt Manager. Both appointments have just recently started their respective roles, and each has a wealth of experience to bring to the team.
4. We are now in the process of reviewing all transactional services, and in particular those around income management.
5. We have also agreed to increase capacity within Legal Services for a 12-month period to support the requirement for greater challenge and action going forward to collect debt. This will be reviewed in 2021 with a view to an appropriate longer-term requirement being recognised and resourced within the needs of the process. It is expected that the cost of this will be met from transformation reserves and the reduction in the bad debt provision made possible due to improvements in collection.
6. We have been progressing with our deeper analysis of debts whilst improving our data extraction and analysis report which will enable us to access information faster.

Latest position on debts

7. The table below shows the latest level of short-term debt stands at £30.2 million, 67% (£20.2 million) of which was raised this financial year. This has risen significantly in the last month although this mainly related to four debtors who have just has new accounts raised to them. Collection will be prioritised for these larger amounts.

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

Year	Instalment	Litigation	* With Legal	* With Officers	Pending Cancellation	Pending W/Off	< 30 Days	* To be referred To Officers	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%
02/03	0.00	0.00	0.00	0.00	0.00	0.00		0.00	0.00	0.02%
03/04	0.00	0.00	1,099.36	0.00	0.00	0.00		0.00	1,099.36	0.02%
04/05	0.00	0.00	770.24	0.00	0.00	0.00		0.00	770.24	0.02%
05/06	0.00	0.00	0.00	0.00	0.00	0.00		0.00	0.00	0.02%
06/07	6.24	0.00	0.00	0.00	0.00	0.00		0.00	6.24	0.02%
07/08	0.00	0.00	3,215.82	0.00	0.00	0.00		0.00	3,215.82	0.03%
08/09	0.00	0.00	1,481.69	48.23	0.00	0.00		0.00	1,529.92	0.04%
09/10	0.00	1,091.28	0.00	0.00	0.00	0.00		0.00	1,091.28	0.04%
10/11	0.00	1,359.53	1,237.20	0.00	0.00	0.00		-7,662.00	-5,065.27	0.03%
11/12	59.59	2,490.11	0.00	54.00	0.00	0.00		0.00	2,603.70	0.03%
12/13	0.00	30,359.35	13,199.78	781.33	0.00	0.00		4,324.09	48,664.55	0.20%
13/14	1,260.70	89,804.67	4,721.31	367.41	0.00	0.00		22,343.39	118,497.48	0.59%
14/15	2.81	53,204.88	24,719.01	7,026.63	137.09	0.00		15,536.51	100,626.93	0.92%
15/16	430.93	81,297.92	67,456.19	85,593.13	787.78	0.00		26,258.51	261,824.46	1.79%
16/17	26,873.02	279,065.72	36,992.79	153,850.88	833.45	0.00		-21,553.99	476,061.87	3.36%
17/18	48,404.42	54,604.98	3,477.34	407,447.29	12,146.73	0.00		846,370.60	1,372,451.36	7.90%
18/19	38,713.39	-800.00	0.00	804,095.85	47,002.32	0.00		1,212,981.35	2,101,992.91	14.85%
19/20	94,633.67	-240.00	35,136.62	644,546.13	26,965.74	0.00		4,754,885.94	5,555,928.10	33.22%
20/21	2,330,883.46	0.00	3,728.86	194,753.57	30,470.72	0.00	9,776,457.50	7,846,293.46	20,182,587.57	99.98%
Total sundry debts	2,541,268.23	592,238.44	202,355.59	2,298,564.45	118,343.83	0.00	9,776,457.50	14,699,777.86	30,229,005.90	0.00%
	8.41%	1.96%	0.67%	7.60%	0.39%	0.00%	32.34%	48.63%	100.00%	
								Less Installments	-2,541,268.23	
								Less < 30 days	-9,776,457.50	
								Total	17,911,280.17	
							Of which	In litigation	202,355.59	1.13%
								With Managers to chase or complete litigation forms not yet sent to managers by Liberata	592,238.44	3.31%
								Other	14,699,777.86	82.07%
									2,416,908.28	
									17,911,280.17	

8. Of the total debt recorded greater than 30 days old, for which there is not an instalment or pending cancellation is £17.911 million (59%):

Table 2: Debt to chase - Summary

1/09/20 (reported to Last A&G)	31/1/20	Comment
£2.4m	£2.4m	With managers/clerks to determine the next steps to chase, collection or write off debt.
£9.2m	£14.7m	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.
£5.1m	£0.6m	Litigation action being taken through final reminders

£0.1m	£0.2m	With legal to pursue through the courts or other measures, or for write off
£16.8m	£17.9m	Total

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

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

Table 4: To 20 Debtors - Anonymised

Type	Less than 1 Mth	1 to 3 Mths	3 to 6 Mths	6 to 12 Mths	Over 12 Mths	Grand Total
NHS	4,175,947.29		80,999.75			4,256,947.04
Company	1,663,440.87				65,948.46	1,729,389.33
Company	1,559,098.40					1,559,098.40
Council	1,394,866.32	5,844.00		216.00	8,563.37	1,409,489.69
Education	111,850.63	70,940.44	353,447.16	4,813.28	619,036.50	1,160,088.01
Education	8,528.88		1,041,250.32	40,521.78	13,925.05	1,104,226.03
Company	66,775.00	181,477.03	43,745.06	143,450.84	109,981.62	545,429.55
NHS	11,250.00	-17,450.00		340,773.65	56,331.47	390,905.12
Education	5,812.79		331,896.00	16,809.01	1,211.79	355,729.59
Council		308,407.90			5,880.00	314,287.90
Company	37,030.00	20,675.00		58,400.00	140,280.06	256,385.06
Council				251,034.18		251,034.18
Education	6,092.47	6,509.15	71.75	217,749.96	7,022.10	237,445.43
Company	33,511.75				175,638.05	209,149.80
Education	1,258.96		44.93	19,125.00	172,982.67	193,411.56
Education	750.00		7.20	183,300.00		184,057.20
Council	74,679.99	101,340.91			5,178.69	181,199.59
Company	164,807.28			2,977.68		167,784.96
Council	2,342.50		57,030.37	85,223.59	22,430.90	167,027.36
Company	2,939.00			157,077.00		160,016.00
	9,320,982.13	677,744.43	1,908,492.54	1,521,471.97	1,404,410.73	14,833,101.80

11. The timing of the data extraction above has identified the top four debtors having £8.8 million raised within the last month. It is expected that these will be cleared quickly.

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

13. There are currently no debtors in the top 20 marked as 'individual' as there has been in the past – these are more sensitive as they relate to social care service.

14. 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.

15. 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.

Legal, Financial and HR Implications

16. 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 Finance Officer) there are no background papers relating to the subject matter of this report.