

AUDIT AND GOVERNANCE COMMITTEE

29 JULY 2021

INCOME AND DEBT MANAGEMENT

Recommendation

- 1. The Chief Financial Officer recommends that the Income and Debt 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 March 2021, we have continued to recruit to the Income team and begun a project to review and transform all income related transactional services.
4. An Internal Audit was completed in the last 6 months on income and debt management and the outcome of the audit was Limited. The timing of the audit was such that the changes had not yet begun so this was not an unexpected outcome. Significant changes are already underway to address the issues raised in the report. Following discussions with Directorates it was agreed that there would be a central debt team created with increased staffing levels to focus on debt collection across the whole of WCC. This had previously been Directorate specific and as a result lacked a cohesive approach. Additional investment was also put in place to ensure legal support was available as required. The central team takes any Council debt over 90 days and is funding by taking a small percentage of the debt it handles. The Committee requested and has seen regular debt reports that are part of the new debt process and awareness raising, including the latest position in this report. This also reflects the good work the team is doing driving debt levels down.
5. 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.
6. The fallout from COVID has continued to have an impact on the review and level of debt and bad debt provisions, with the bad debt provision increased by £2.8 million in the year end accounts to reflect the ongoing pandemic. Officers will continue to monitor this alongside legal colleagues in the chasing of debt.
7. In addition, the responsibility for commercial rent debt has now transferred to the County Council from Place Partnership Ltd and officers are reviewing and appraising the system to ensure billing can take place.
8. Over the next quarter, an Income Strategy and Debt Policy will be presented for consideration and reported to the September 2021 Committee for comments.

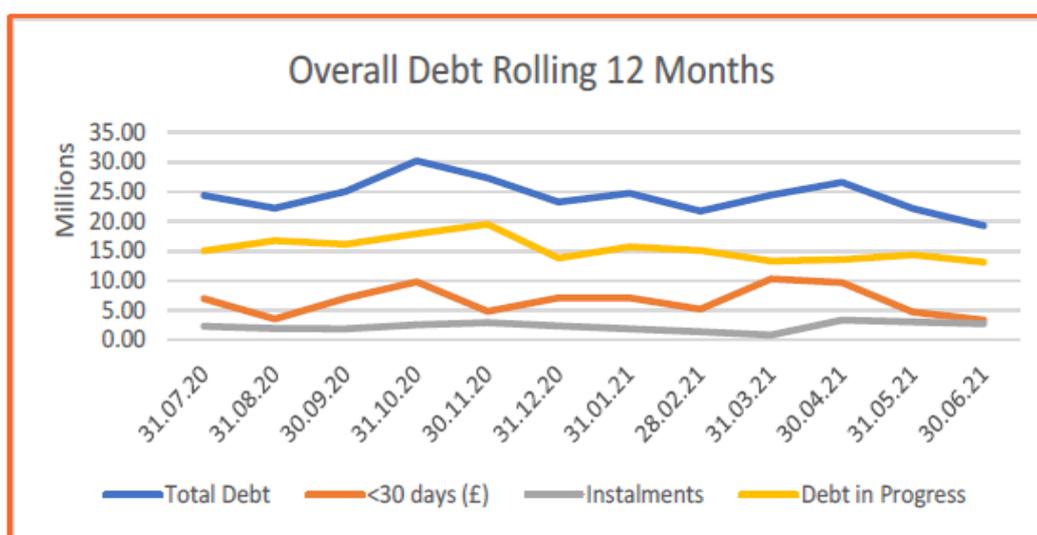
Latest position on debts

9. The following Table 1 shows the latest level of short-term debt stands at £3.4 million, of which the majority was raised this financial year. This has fallen significantly in the last month mainly related to debt chasing and management of old debts, including write off provisions. Collection continues to be prioritised for larger amounts, but more work is progressing to address older debts.

Table 1 – Summary of aged debt by month

Month	Total Debt outstanding (£)	of which <30 days (£)	Of which paid by instalments	total debt outstanding less <30 days and less instalments (£)
30.06.21	19,242,558.06	3,372,404.73	2,760,298.67	13,109,854.66
31.05.21	22,151,251.74	4,716,709.91	3,078,478.76	14,356,063.07
30.04.21	26,564,205.60	9,660,860.35	3,335,474.90	13,567,870.35
31.03.21	24,451,398.69	10,325,806.26	843,483.09	13,282,109.34
28.02.21	21,729,634.60	5,198,779.52	1,412,190.41	15,118,664.67
31.01.21	24,709,472.93	7,124,236.38	1,857,335.26	15,727,901.29
31.12.20	23,270,710.68	7,085,169.24	2,399,486.84	13,786,054.60
30.11.20	27,299,577.24	4,855,215.72	2,902,851.92	19,541,509.60
31.10.20	30,229,005.90	9,776,457.50	2,541,268.23	17,911,280.17
30.09.20	25,034,759.58	7,018,715.26	1,852,529.07	16,163,515.25
31.08.20	22,189,669.86	3,516,190.45	1,917,087.63	16,756,391.78
31.07.20	24,363,210.74	6,996,626.22	2,321,326.25	15,045,258.27

10. Of the total debt recorded greater than 30 days old, for which there is not an instalment or pending cancellation is £13.1 million (68%). However, that is a reduction from the end of February reported position of £15.1m. The amount paid now by instalments has significantly increased and the overall trend in debt is downwards as shown below:



11. The £13.1 million debt greater than 30 days can be further categorised for each Directorate as follows:

Table 2: Aged Debt Analysis - by Directorate

Directorate	Up To 30 Days	Installment	31 to 120 Days	121 to 365 Days	>365 Days	Total
Chief Executive	5,512.20		78,753.98	8,311.63	18,815.24	111,393.05
Coach Directorate	79,273.03	37,905.22	213,096.74	59,713.81	102,499.91	492,488.71
Economy & Infrastructure	290,458.82	18,634.60	823,124.60	158,562.55	446,127.43	1,736,908.00
Finance	507.21	11,307.36	1,542.23	866.79	22,688.86	36,912.45
Income received but not yet allocated to individual Debtors	- 289,105.88		- 258,709.47	- 308,425.58	- 390,993.03	- 1,247,233.96
Other Organisations					64,485.50	64,485.50
Pensions	44,855.23	2,430,588.63	530,864.98	178,124.68	180,280.34	3,364,713.86
WCF	160,954.64		33,950.79	39,865.32	11,823.37	246,594.12
Whole Council costs	54,518.00	21,456.33		13,721.41	5,651.24	95,346.98
People - Adults	2,594,827.11	214,215.04	1,415,902.98	2,937,557.64	4,111,053.52	11,273,556.29
People - Schools	314,473.12	26,191.49	172,985.22	156,038.01	1,121,578.82	1,791,266.66
People - Communities	116,131.25		135,528.87	232,361.23	763,578.76	1,247,600.11
People - Public Health			828.13	1,668.75	24,604.67	27,101.55
Trusts					1,424.74	1,424.74
Total	3,372,404.73	2,760,298.67	3,147,869.05	3,478,366.24	6,483,619.37	19,242,558.06

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

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

Table 5: To 20 Debtors - Anonymised

NAME	Up To 30 Days	31 to 120 Days	121 to 365 Days	>365 Days	Grand Total
EDUCATIONAL INSTITUTE		8,695.50	214,237.50	618,119.40	823,661.40
CONSTRUCTION COMPANY		324,588.14			324,588.14
UTILITIES	53,841.50	144,155.28	25,114.65	60,564.82	283,676.25
UTILITIES	27,837.08	207,511.69	7,248.13	22,559.32	265,156.22
CONSTRUCTION COMPANY	685.00	234,155.50		2,650.00	232,190.50
LOCAL AUTHORITY	15,930.76	31,536.92	40,914.19	141,892.23	230,274.10
INDIVIDUAL			195,412.57		195,412.57
INDIVIDUAL			191,582.50	2,067.36	193,649.86
EDUCATIONAL INSTITUTE	1,500.00			172,972.67	174,472.67
EDUCATIONAL INSTITUTE			164,266.06		164,266.06
CONSTRUCTION COMPANY	1,440.00	860.00		145,653.83	147,953.83
HEALTH	147,869.84				147,869.84
EDUCATIONAL INSTITUTE	2,933.68	138,024.16		896.00	141,853.84
LOCAL AUTHORITY	424.80	123,056.58		437.00	123,918.38
INDIVIDUAL				119,057.43	119,057.43
INDIVIDUAL	70,064.11	43,194.96			113,259.07
INDIVIDUAL				111,582.80	111,582.80
LOCAL AUTHORITY	104,875.75			4,178.69	109,054.44
HEALTH		114,192.00	5,347.51		108,844.49

14. This is a drop since the last report to Committee and Legal officers have been working alongside transactional staff to reduce this list. Senior council officers are discussing with the education sector, Council and NHS debtors to obtain payment.

15. There are five 'individual' debts – these are more sensitive as they relate to social care service clients / cases.

16. 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.

17. In addition to the general debt noted above the Council has a Longer-Term Debt that it recognises of c.£1 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

18. 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.