



Report of the Chief Finance Officer

Audit Committee – 9 February 2021

Service Centre - Accounts Receivable Update

Purpose:	To provide an update for the Service Centre, Accounts Receivable Function.
Policy Framework:	None
Consultation:	Legal, Finance and Access to Services
Recommendation(s):	It is recommended that: - 1) Service Departments be further reminded of their responsibilities and role in the invoice process. This should be reinforced through the Directors and Heads of Service to ensure consistency and robustness of process. 2) Accounts Receivable continue to report to CMT on a quarterly basis as a further update on the debt position across the Authority.
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Legal Officer:	Debbie Smith (Deputy Chief Legal Officer)
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Internal Audit on Accounts Receivable Function – Update January 2021

1. Introduction

- 1.1 As a result of an internal audit on the Accounts Receivable function carried out in Quarter 1 2020, an assurance level of moderate was given in the final report issued In May 2020.

- 1.2 An action plan was developed to address the issues identified and appropriate implementation steps put in place.
- 1.3 This action plan identified the following HR & MR actions (High Risk & Medium Risk)
- (3.6.2 & 3.6.10) All debts should be escalated on a timely basis. Where payment is not received within the timescales allowed a decision should be made on whether to refer to Legal or write-off the debt. (HR)
 - (3.6.3a) Very old unpaid invoices should be prioritised to ensure limitation period does not expire. (MR)
 - (3.6.7) Officers in Legal should ensure that AR are informed of the closure of each case promptly to ensure the appropriate action is taken ongoing. (MR) (Responsibility of Legal Dept)
- 1.4 A progress report was presented to Audit Scrutiny Committee on 8th September 2020. This was reviewed and 2 actions were recommended:
- 1) Update CMT on the debt recovery position
 - 2) All Service Departments be reminded of their responsibilities and role in the invoice process, which should be reinforced through the Directors and Heads of Service to ensure consistency and robustness of process.

These actions were completed and included in the Audit Committee papers for 20th October 2020. The Committee also requested that a further progress report be submitted for the 9th February 2021 Audit Committee meeting. Previous summary reports have outlined the background and reasons that led up to the moderate rated AR audit report so these are not covered in this report. This report seeks to present the current debt position and the progress made to date. This is summarised below:

1.5 **Current position:**

The invoice trends on the AR system show that the volume of invoices raised is decreasing year on year but the value of invoices raised is increasing significantly. Please see Appendix A – AR Invoice volume analysis for this detail. Note that financial year 2020 / 2021 has ‘figures to date’ as this is not yet a complete year

The current Accounts Receivable outstanding debt position is summarised by age in the table below. This is further analysed by invoice category in a table shown in Appendix B – AR Debt analysed by category. The debt is analysed by current category or status. It should be noted that this is a snapshot of the current picture as at 18th January 2021. The outstanding debt figure constantly changes day to day and can vary significantly depending on what is raised and paid.

When considering the detail provided below and in the Appendices please note:

- The age categories contain outstanding debts at all statuses i.e. awaiting write off, on instalment plans, referred to legal etc.
- Almost half of the outstanding debt by value is less than 1 month old.
- The total value outstanding is 15% of the total value of invoices raised to date in the 2020/2021 year alone, and this does not include invoices that will be raised in Quarter 4.

- The volume of invoices over 1 year old comprises 45% of the invoices outstanding, whereas by value it is only 16% of the total outstanding, showing that these invoices are mainly of a lower value.

Accounts Receivable Aged Debt summary		
	Count	Total Value £
Total Debt	9,195	13,464,127.91
Debt over 1 year old	4,268	2,133,372.86
Debt 3 to 12 months old	2,009	2,161,755.76
Debt 1 to 3 months old	909	2,302,749.45
Debt less than 1 month old	2,009	6,866,249.84

Of the above, the old 'static' invoices (not on hold, write off, instalment plan etc) that require progression are shown below. Note that these are invoices prior to December 2019 and reflect the current aged position.

Age category	Volume	Value £
Invoices 1 to 5 years old	2915	827,127
Invoices over 5 years old	294	63,970

1.6 Progress to date:

The AR Section's priorities and targets are aligned with the corporate strategies, the Authority's Accounting Instructions and Financial Procedure Rules and the Internal Audit report recommendations. This means that the section concentrates recovery activities on high value debts to ensure that all business and organisation customer debts are paid. However the section also operates a flexible approach to recovery for vulnerable individuals or those in difficult financial circumstances.

Previous reports have outlined the background and reasons for the backlog that was in existence in 2019. Since Autumn 2019 the Oracle Project has commenced, 3 new staff members were recruited and we have experienced a global pandemic that has impacted all of the AR processes to some degree, and all recovery action was halted completely for a considerable period between March and July 2020. In August 2020 a recovery plan was put into place and progress has been monitored.

The top 3 priorities from the August 2020 recovery plan is shown in the table below. A progress update is provided for each category:

Priority	Progress Update
<p>A review of 500 invoices that were over 5 years old that had remained static on the system</p>	<ul style="list-style-type: none"> • 100 of these invoices have been moved to write off (Total value £9339). • 200 have been identified as customers with potential financial difficulties and are being progressed this month • A further 200 are due to be reviewed for referral to Legal and require additional recovery work
<p>Targeted recovery action of all invoices over £10,000 in value comprising of 47 invoices to a value of £2.8M. This list did not include Swansea schools or Swansea Health Board invoices</p>	<ul style="list-style-type: none"> • By November 2020 74% of these invoices had been paid (£2.4M) and 2% of the invoices had been reduced (£41k) by the service dept. • A further 22% (£411k) continue to be worked on with further reductions expected. Further high value debts were added to this list with an additional total of £767,500 recovered through active chasing since December.
<p>A priority review of all 150 invoices on Awaiting Evidence of Debt category so that these could be referred to Legal</p>	<ul style="list-style-type: none"> • Service Dept staff have been contacted for all of these invoices. A high proportion of these were in the Housing service area and following discussions 2 staff members have been tasked to liaise with AR and have been working through the lists to progress the invoices. The AR Section has received 217 updated instructions this week from Housing (includes a review of all their old outstanding debt) and is currently working through these. • The movements since August 2020 are that 23 moved off Awaiting Evidence of Debt category and a further 18 have been added. • The AR Section has also referred 43 cases to the Legal Debt Recovery Section between August and December 2020.

The September 2020 Audit Committee recommended that 2 actions were implemented. These are detailed in 1.5 above. Both actions were completed and the following progress is noted:

- All Heads of Service were issued a detailed email and forwarded the communication on to the relevant managers in their areas. This action generated some activity within the departments as the AR Section is aware of several Service Area managers contacting AR to discuss or query the best approach to progress the debts for their area. Some areas gave a thorough response and allocated specific staff to the task. Generally there was a mixed approach with some areas of the opinion that all of the old debts should be written off. In these instances

managers were advised that this approach was incorrect, that a blanket approach should not be adopted and that all debt recovery action should be tailored to the debtor's individual circumstances. The AR Section reviews all write off instructions received from service departments and challenges any that are inappropriate.

- All P&FM meeting co-ordinators were also requested to add outstanding debt to their agenda. This no doubt took place and reinforced the message to all staff.

In addition to the progress detailed above, the AR Section can report the following areas of additional success:

- A further 190 invoices have been moved onto the pending write off status (in addition to the 100 stated above)
- A small reduction in the invoices over 5 years old can be reported. The AR 2019/2020 Audit report stated that there were a total of 3700 invoices in this aged category. This has now reduced to 3209, a 12% reduction in volume (see Current Position section above). This area of work continues to be prioritised and further progress is expected in the next few months as the team continue to work through the lists.
- The transition of the AR Section telephone calls for first line of enquiry to the Service Centre Helpdesk continues to provide a staff time saving on AR. Between the period 1st September and 31st December 2021 1225 calls were handled for AR by the Helpdesk. Of these 759 were dealt with completely by the Helpdesk. The staff time saved was a total of 61.5 hours over an 85 working day period equating to 8.2 working days. This is continuous working time with no breaks or interruptions so the reality is that the actual staff time saved is much higher than 8.2 days calculated.
- Significant detailed work continues with Social Services debt with a large reduction in volume and outstanding value as well as the implementation of improved processes across the debt areas in the departments. This work was achieved collaboratively with both Finance and Social Services staff working to resolve issues.

Future progress planned:

- A process involving the use of Artificial Intelligence (RPA) is being developed to automate customer set up processes.
- The Oracle Fusion project promises process efficiencies but these will not be realised until well after the project has gone live later this year.

Continued challenges:

- The global pandemic has been the biggest barrier to the progression rate of this backlog. Challenges due the ongoing restrictions are still impacting the section as all of the AR invoices and reminder letters are on hard copy mail and staff are only able to process these once a week in order to minimise office contact time and protect staff.
- In addition, the financial uncertainty and volatility of the pandemic restrictions has meant that many small businesses have folded and individuals have been furloughed for long periods or lost their jobs altogether, which makes debt recovery even more challenging. Overall there is a reduced ability to pay across all customer types making debt recovery exceptionally difficult.

- Staffing remains a factor with over 50% of the team being new to the Authority and also a recently recruited staff member leaving the section unexpectedly. Newly recruited staff have risen to the challenge of learning new work processes but remote working is a barrier to new colleagues learning progress as it is more difficult to identify weaknesses and strengths and to provide colleague to colleague support. Officers have found that knowledge, experience and support can be much more easily provided and be more effective when staff are physically in the same working area.
- Liaising with service department staff to ensure that debt is being monitored correctly and effectively still remains a challenge. There have been some improvements seen following the communications to Heads of Service but the liaison required on an ongoing basis is time consuming and staff in those departments may be under significant pressures in their main areas of work which may leave little time for debt recovery.
- The Oracle Fusion project go-live is scheduled for Autumn 2021. The extent of the success achieved in this project is yet to be seen but there could be impacts from any early life system or process issues encountered.

2. Equality and Engagement Implications

2.1 The Council is subject to the Public Sector Equality Duty (Wales) and must, in the exercise of their functions, have due regard to the need to:

- Eliminate unlawful discrimination, harassment and victimisation and other conduct prohibited by the Act.
- Advance equality of opportunity between people who share a protected characteristic and those who do not.
- Foster good relations between people who share a protected characteristic and those who do not.

Our Equality Impact Assessment process ensures that we have paid due regard to the above.

2.2 There are no equality or engagement implications in this report.

3. Financial Implications

3.1 There are no financial implications other than those set out in the body of the report.

4. Legal Implications

4.1 There are no legal implications other than those set out in the body of the report.

Background Papers: None.

Appendices:

Appendix A	Accounts Receivable Invoice Volume Analysis
Appendix B	AR Debt Analysed by category