



## Report of the Director of Corporate Services

Governance & Audit Committee – 11 January 2023

### Accounts Receivable

<b>Purpose:</b>	To provide an update for the Service Centre, Accounts Receivable Function.
<b>Policy Framework:</b>	None
<b>Consultation:</b>	Legal, Finance and Access to Services
<b>Recommendation(s):</b>	That the Governance and Audit Committee notes that officers will continue to report to CMT on a quarterly basis as a further update on the debt position across the authority.
<b>Report Author:</b>	Rachael Davies (Head of HR and Service Centre) & Michelle Davies (Cash Management & Accounts Receivable Manager)
<b>Finance Officer:</b>	Ben Smith (Director of Finance & S151)
<b>Legal Officer:</b>	Debbie Smith (Deputy Chief Legal Officer)
<b>Access to Services Officer:</b>	Catherine Window (Equalities Policy Development Officer)

#### Internal Audit on Accounts Receivable Function – Update January 2023

##### 1. Introduction

- 1.1 The Accounts Receivable Internal Audit was carried out in Quarter 1 2022 and the report was issued in March 2022. An assurance level of Moderate was again given. The detail below summarises the reasons and progress to date.
- 1.2 There is 1 High Risk and 2 Medium Risk action points, one of which is from previous audits that remains outstanding. All of the Audit action points have been reviewed and included in the AR strategy. The AR team has been given priorities and targets that are aligned with the corporate strategies and the Internal Audit action plan. However, it is anticipated that it will not be possible to complete all of these actions before the next audit report for reasons that have been outlined in previous reports. For clarity, the action points referred to in this report are:

Action point reference	Risk rating	Detail
2.2.4	MR	The Director of Finance should be asked to raise the issue of long-standing disputed invoices at CMT, and highlight invoices which have not been addressed by services for over 90 days.
3.6.3	HR	All invoices should be escalated on a timely basis in accordance with established protocols. Where debtors have not paid within the timescales allowed, a decision should be made on whether to refer the invoice to Legal, or write it off.  <b>(Previous audit recommendation)</b>
3.6.6	MR	Appropriate follow-up procedures with debtors/service departments and diarising of invoice reviews, should be carried out by officers in the AR team as a matter of routine.

- 1.3 The Cash Management and Accounts Receivable Manager has reported to the Governance & Audit Committee periodically over the last 3 years and all committee actions have been implemented.
- 1.4 The last report to the Governance and Audit Committee was in July 2022.
- 1.5 A progress summary for the intervening period of July to December 2022 is set out below:
- a. **Debt Recovery Activities (DRA) meetings:** These meetings are held monthly and continue to ensure focus is directed to audit action plan priorities and to the debt recovery strategy. Priorities are regularly reviewed and progress is monitored. The team are continuing to focus on completing a review of the oldest debts, all high value debts, outstanding debts to large businesses and organisations and the 'Refer to Legal' reconciliation. Data reviews are carried out every 6 months to analyse the outstanding debt and move the lens to shift activities onto a different debt area. The team are currently working through these priorities and have regular review meetings.
  - b. **Outstanding Aged Debt:** The aged debt position is detailed below. The previously reported figure has been left in for comparison to the current reported figure. The Committee is asked to note the following points:
    - The large increase in the amount of debt in category '0-59 Days' should be recognised as brand new debt and is not indicative of a debt recovery issue
    - There is a significant reduction in the debt outstanding in the category '60-365 Days' confirming that there is a lower % of old debt tipping forward into this category indicating better recovery rates for new debt.
    - There is a 5% increase in the category '>365 Days' but this is expected to fall as a number of old irrecoverable debts have been approved for write off and will shortly be closed on the system.

- All aged debt figures are snapshots and the outstanding debt position changes on a daily basis

Month	Total Due	>365 Days	60 - 365 Days	0 - 59 Days
June 2022	14,666,216	2,152,759	5,016,730	7,496,727
		15% of Total Due	34% of Total Due	51% of Total Due
Nov 2022	11,176,168	2,270,466	1,184,328	7,721,374
		20% of Total Due	11% of Total Due	69% of Total Due

- c. **Write offs:** All write offs of value under £10,000 as at November 2022 have been approved and will shortly be closed on the Accounts Receivable system. A further 70 invoices have been moved to a write off category since November 2022 and a fresh list will be produced in Quarter 4 2022/2023 prior to the move to the Fusion system so that these can be approved and closed before the year end.
- d. **Referrals to legal:** The team continues to make progress with referring outstanding debts to Legal with a further 78 invoices totalling £61,875 referred to Legal in the period July to November 2022.
- e. **Service Department liaison:**
- A further communication has been issued to all service departments to remind them that where they have decided to give credit to a business or organisation they must obtain a Purchase Order number prior to the goods or services being supplied to that customer. The message also continues to be reiterated for Service Departments to seek payment for goods and services up front without the need for credit wherever possible. Departments are supported in the options available to them for collecting payment in advance or at the point of service by the Cash Management Team.
  - The AR section has also implemented a new process in conjunction with the Education Finance Department to collect all Swansea schools invoices by Direct Debit. This initiative will improve the Council's cash flow and debt collection rate as well as reducing the administration required for those customers, saving time and effort for both the central Accounts Receivable team and the schools staff.
- f. **Disputed invoices:** Invoices on dispute have reduced by a further 22% from 232 invoices in June 2022 to 182 invoices in November 2022
- g. **Legal Department liaison:** Regular quarterly meetings with the Legal Debt Recovery team continue to take place. The agenda covers monitoring of all referrals, discussion of any difficult cases as well as identifying any process improvements.
- h. **Challenges remaining:**
- The 2 vacancies on the AR team have now been filled and the new starters are expected to commence employment in early January but it will take time for

them to be fully trained and brought up to speed. This brings the staffing complement to 6 FTE.

- The move of Oracle EBS to the Cloud platform has resulted in some technical issues. Most of these have been resolved but IT support are still working on an issue with the 60 Day Debt report. This has impacted the reports sent to Service Departments since November 2022.
- The global economic situation continues to impact the Council's ability to collect outstanding debts and this is expected to have far-reaching impacts. The AR section continues to apply a flexible collection policy and seeks to negotiate with all debtors wherever possible.
- The Oracle Fusion project is due to go-live in April 2023. There is expected to be a short term impact whilst staff become familiar with the new system and processes.
- The implementation of the Statutory Debt Repayment Plan (under the Breathing Space regulatory umbrella) has been delayed following creditor consultation but is still expected to impact creditors once implemented. The likely implementation date is now 2024 so this remains a future challenge.

#### **i. Future activities (identified in the June 2022 report)**

A review of the reporting methodology will be considered so that some aspects currently captured may be better recorded in a different way e.g. direct debits for debt repayment.

**Update January 2023:** The detail of the invoice instalments for future collection by Direct Debit have been removed from the 60 Day Debt reports sent to all service departments. In addition, we have progressed the direct debit payment collection to now collect all Swansea schools invoices by direct debit payment method as detailed in point e) above.

The new Head of HR and Service Centre commenced employment in mid-June and has been tasked with development of the action plan, progress of which will be reported to the Chief Executive and Director of Finance in the coming months. Further reporting to CMT will also be provided as required.

**Update January 2023:** Action 2.2.4 has been completed during the last period and an update will be provided to CMT at the close of 2022/23, reporting on the full year.

Options for investing in additional resource in the AR function will be explored in order to improve pace of recovery given the current level of activity with existing resources.

**Update January 2023:** The challenging financial position for 2023 onwards has led to a pause on non-essential recruitment for the remainder of the 2022/23 year. An exception has been made for the AR team who have experienced vacancies and require a full staffing complement to continue to make progress against the audit objectives. As outlined earlier in the report, two new starters are due to commence work in January 2023 and this should enable further progress to be made by the time of the next audit review. In terms of additional investment in the function, a wider review of Service Centre functionality will be undertaken in 2023 to identify the most appropriate allocation of resources.

A further report to Governance and Audit Committee will be provided in 6 months to demonstrate further progress made against the audit plan.

**Update January 2023:** This report completes this action point.

## **2. Integrated Assessment Implications**

2.1 The Council is subject to the Equality Act (Public Sector Equality Duty and the socio-economic duty), the Well-being of Future Generations (Wales) Act 2015 and the Welsh Language (Wales) Measure, 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 Acts.
- 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.
- Deliver better outcomes for those people who experience socio-economic disadvantage
- Consider opportunities for people to use the Welsh language
- Treat the Welsh language no less favourably than English.
- Ensure that the needs of the present are met without compromising the ability of future generations to meet their own needs.

The Well-being of Future Generations (Wales) Act 2005 mandates that public bodies in Wales must carry out sustainable development. Sustainable development means the process of improving the economic, social, environmental and cultural well-being of Wales by taking action, in accordance with the sustainable development principle, aimed at achieving the 'well-being goals'.

Our Integrated Impact Assessment (IIA) process ensures we have paid due regard to the above. It also takes into account other key issues and priorities, such as poverty and social exclusion, community cohesion, carers, the United Nations Convention on the Rights of the Child (UNCRC) and Welsh language

2.2 An IIA has been undertaken which has identified minimal impacts in relation to this report (Appendix A). The report covers debt recovery strategy and performance. The AR strategy takes into account the ability of the individual to pay the debt and ensures that they are not placed into poverty as a result of debt recovery activities. The strategy also has responsibility to protect the public purse so all activities are appropriate to the individual by taking into account their circumstances whilst aiming to recover monies due to the Authority.

## **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:**

<b>Appendix A</b>	Integrated Impact Assessment Screening Form
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**Integrated Impact Assessment Screening Form**

Please ensure that you refer to the Screening Form Guidance while completing this form.

**Which service area and directorate are you from?**

Service Area: HR and Service centre

Directorate: Corporate Services

**Q1 (a) What are you screening for relevance?**

- New and revised policies, practices or procedures
- Service review, re-organisation or service changes/reductions, which affect the wider community, service users and/or staff
- Efficiency or saving proposals
- Setting budget allocations for new financial year and strategic financial planning
- New project proposals affecting staff, communities or accessibility to the built environment, e.g., new construction work or adaptations to existing buildings, moving to on-line services, changing location
- Large Scale Public Events
- Local implementation of National Strategy/Plans/Legislation
- Strategic directive and intent, including those developed at Regional Partnership Boards and Public Services Board, which impact on a public bodies functions
- Medium to long term plans (for example, corporate plans, development plans, service delivery and improvement plans)
- Setting objectives (for example, well-being objectives, equality objectives, Welsh language strategy)
- Major procurement and commissioning decisions
- Decisions that affect the ability (including external partners) to offer Welsh language opportunities and services
- Other

**(b) Please name and fully describe initiative here:**

**Q2 What is the potential impact on the following: the impacts below could be positive (+) or negative (-)**

Impact	High Impact		Medium Impact		Low Impact		Needs further Investigation
	+	-	+	-	+	-	
Children/young people (0-18)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Older people (50+)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Any other age group	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Future Generations (yet to be born)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Disability	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Race (including refugees)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

Asylum seekers	<input type="checkbox"/> <input type="checkbox"/>	<input type="checkbox"/> <input type="checkbox"/>	<input type="checkbox"/> <input type="checkbox"/>	<input checked="" type="checkbox"/>
Gypsies & travellers	<input type="checkbox"/> <input type="checkbox"/>	<input type="checkbox"/> <input type="checkbox"/>	<input type="checkbox"/> <input type="checkbox"/>	<input checked="" type="checkbox"/>
Religion or (non-)belief	<input type="checkbox"/> <input type="checkbox"/>	<input type="checkbox"/> <input type="checkbox"/>	<input type="checkbox"/> <input type="checkbox"/>	<input checked="" type="checkbox"/>
Sex	<input type="checkbox"/> <input type="checkbox"/>	<input type="checkbox"/> <input type="checkbox"/>	<input type="checkbox"/> <input type="checkbox"/>	<input checked="" type="checkbox"/>
Sexual Orientation	<input type="checkbox"/> <input type="checkbox"/>	<input type="checkbox"/> <input type="checkbox"/>	<input type="checkbox"/> <input type="checkbox"/>	<input checked="" type="checkbox"/>
Gender reassignment	<input type="checkbox"/> <input type="checkbox"/>	<input type="checkbox"/> <input type="checkbox"/>	<input type="checkbox"/> <input type="checkbox"/>	<input checked="" type="checkbox"/>
Welsh Language	<input type="checkbox"/> <input type="checkbox"/>	<input type="checkbox"/> <input type="checkbox"/>	<input type="checkbox"/> <input type="checkbox"/>	<input checked="" type="checkbox"/>
Poverty/social exclusion	<input type="checkbox"/> <input type="checkbox"/>	<input type="checkbox"/> <input type="checkbox"/>	<input checked="" type="checkbox"/> <input type="checkbox"/>	<input type="checkbox"/>
Carers (inc. young carers)	<input type="checkbox"/> <input type="checkbox"/>	<input type="checkbox"/> <input type="checkbox"/>	<input type="checkbox"/> <input type="checkbox"/>	<input checked="" type="checkbox"/>
Community cohesion	<input type="checkbox"/> <input type="checkbox"/>	<input type="checkbox"/> <input type="checkbox"/>	<input type="checkbox"/> <input type="checkbox"/>	<input checked="" type="checkbox"/>
Marriage & civil partnership	<input type="checkbox"/> <input type="checkbox"/>	<input type="checkbox"/> <input type="checkbox"/>	<input type="checkbox"/> <input type="checkbox"/>	<input checked="" type="checkbox"/>
Pregnancy and maternity	<input type="checkbox"/> <input type="checkbox"/>	<input type="checkbox"/> <input type="checkbox"/>	<input type="checkbox"/> <input type="checkbox"/>	<input checked="" type="checkbox"/>
Human Rights	<input type="checkbox"/> <input type="checkbox"/>	<input type="checkbox"/> <input type="checkbox"/>	<input type="checkbox"/> <input type="checkbox"/>	<input checked="" type="checkbox"/>

**Q3 What involvement has taken place/will you undertake e.g. engagement/consultation/co-productive approaches?**  
**Please provide details below – either of your activities or your reasons for not undertaking involvement**

Not applicable

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**Q4 Have you considered the Well-being of Future Generations Act (Wales) 2015 in the development of this initiative:**

a) Overall does the initiative support our Corporate Plan's Well-being Objectives when considered together?

Yes  No

b) Does the initiative consider maximising contribution to each of the seven national well-being goals?

Yes  No

c) Does the initiative apply each of the five ways of working?

Yes  No

d) Does the initiative meet the needs of the present without compromising the ability of future generations to meet their own needs?

Yes

No

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**Q5** What is the potential risk of the initiative? (*Consider the following impacts – equality, socio-economic, environmental, cultural, legal, financial, political, media, public perception etc...*)

High risk

Medium risk

Low risk

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**Q6** Will this initiative have an impact (however minor) on any other Council service?

Yes

No

If yes, please provide details below

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**Q7** Will this initiative result in any changes needed to the external or internal website?

Yes

No

If yes, please provide details below

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**Q8** What is the cumulative impact of this proposal on people and/or communities when considering all the impacts identified within the screening and any other key decisions affecting similar groups/ service users made by the organisation?

*(You may need to discuss this with your Service Head or Cabinet Member to consider more widely if this proposal will affect certain groups/ communities more adversely because of other decisions the organisation is making. For example, financial impact/poverty, withdrawal of multiple services and whether this is disadvantaging the same groups, e.g., disabled people, older people, single parents (who are mainly women), etc.)*

### Outcome of Screening

**Q9** Please describe the outcome of your screening using the headings below:

- Summary of impacts identified and mitigation needed (Q2)
- Summary of involvement (Q3)
- WFG considerations (Q4)
- Any risks identified (Q5)
- Cumulative impact (Q7)

(NB: This summary paragraph should be used in the ‘**Integrated Assessment Implications**’ section of corporate report)

Full IIA to be completed

Do not complete IIA – please ensure you have provided the relevant information above to support this outcome



NB: Please email this completed form to the Access to Services Team for agreement before obtaining approval from your Head of Service. Head of Service approval is only required via email.

<b>Screening completed by:</b>
<b>Name: Michelle Davies</b>
<b>Job title: Cash Management &amp; Accounts Receivable Manager</b>
<b>Date: 03/01/2023</b>
<b>Approval by Head of Service:</b>
<b>Name: Rachael Davies</b>
<b>Position: Head of HR &amp; Service Centre</b>
<b>Date: 03/01/2023</b>

Please return the completed form to [accesstoservices@swansea.gov.uk](mailto:accesstoservices@swansea.gov.uk)