

Regulatory and Audit Committee 3 February 2016

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Regulatory and Audit Committee

Title: Effectiveness of Debt Management Strategy

Date: Wednesday 3 February 2016

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Local members affected: None

For press enquiries concerning this report, please contact the media office on 01296 382444

Summary

In January 2015 the revised and updated Debt Management Strategy was brought before this committee in response to its inclusion in the Annual Governance Statement Action Plan.

The Debt Management Strategy has been adopted within the Organisation, and its profile has been raised due to the importance of appropriate debt management processes within the more commercially-minded operating model being rolled out as part of the Future Shape programme.

1. Implementation of the Debt Management Strategy

The Financial Regulations and Financial Instruction for Debt Management define that the responsibility for ensuring there is an active management of debt falls to Managing Directors. They may choose to delegate this through their Scheme of Delegation, and in practice this is delivered through individual Budget Holders.

In support of delivering this responsibility monthly reports are produced for each Business Unit Board as part of the budget monitoring process, identifying the value and nature of all outstanding debts. Instructions are provided on the Intranet for Management teams / Budget Holders to run reports for themselves which identify the individual debts outstanding.

Following approval of the Debt Management Strategy the Strategy document, along with a 60 second summary were communicated to the organisation through One Council Board, Finance Directors and Business Unit Management Teams. These core documents were published on



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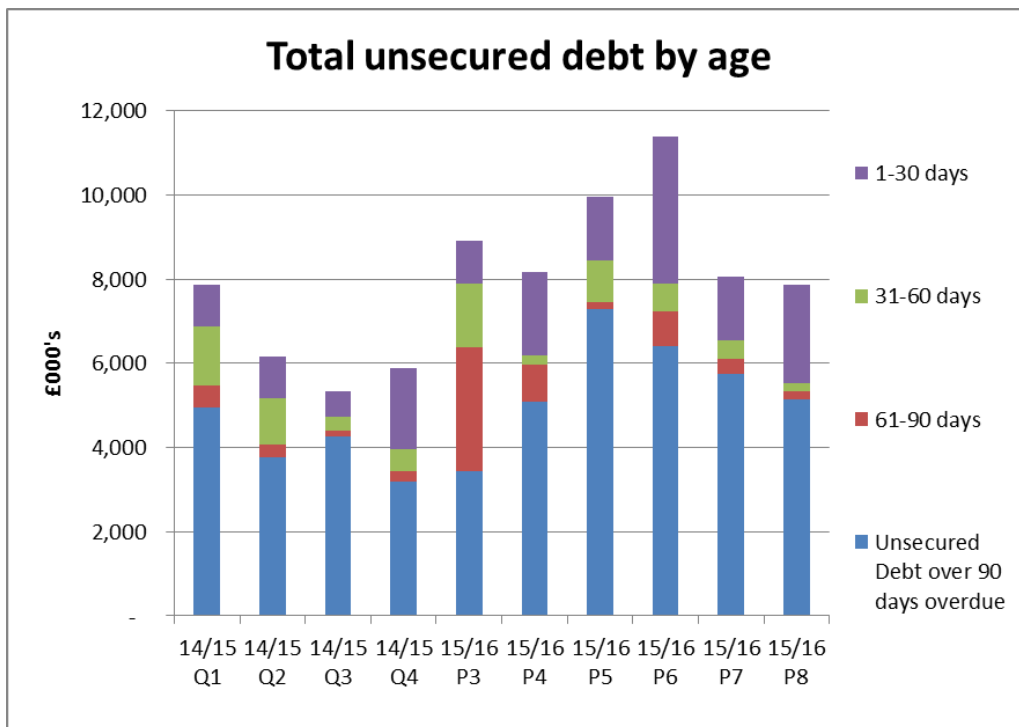
the Intranet, and an e-mail detailing the changes to the strategy and the new process of debt management through the Business Services Plus Business Unit was sent to all Budget Holders.

2. Progress to date

Metrics on debt

Debt is currently classified as secured and unsecured for reporting purposes. For the purposes of this report we are primarily concerned with unsecured debt, as secured debt is secured against an asset of the customer and will be collected in the future when the asset becomes liquid.

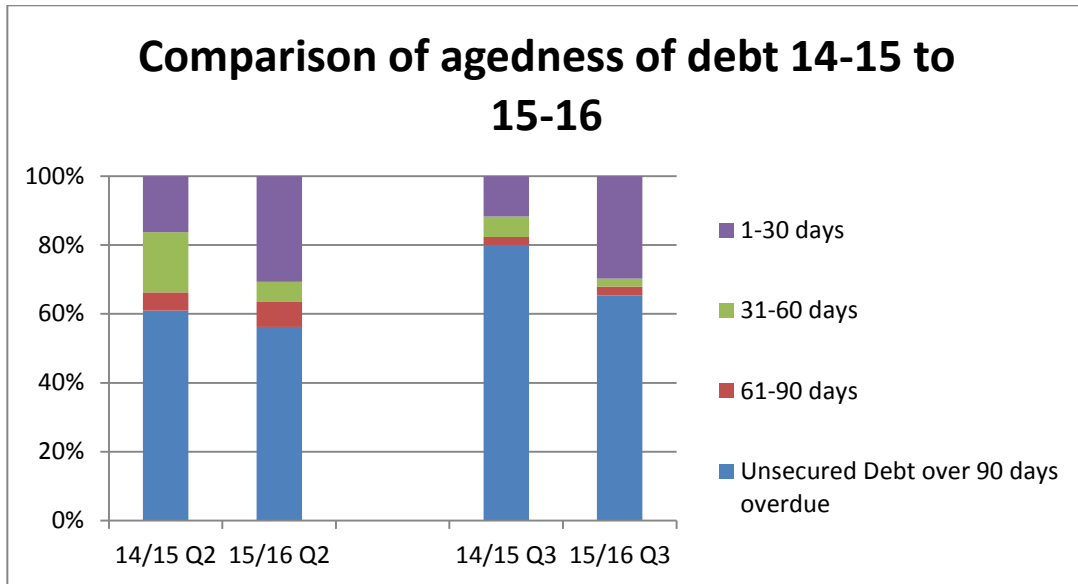
The graph below shows the level of unsecured aged debt across the last 2 years;



For 2014-15 the debt is shown quarterly, as this was the frequency of reporting at that time. Since May 2015 debt has been reported monthly, and as such the data reflects this monthly reporting.

Clearly the value of invoices raised is inconsistent across reporting periods, and as such the level of debt which is ageing at any given time will vary. In addition it would appear that the level of debt raised is consistently higher in 2015-16 than it was in 2014-15. This is largely indicative of an increase in the number of chargeable services and a broadening of the customer base as part of more commercial strategies within the business.

As a key measure, the percentage of debt which has aged to older than 90 days has been used. This removes the impact of their being a greater value of debt, and focusses on how much debt is ageing beyond 90 days. A comparison of this measure between 2014-15 and 2015-16 is shown below;



Comparing the Quarter 2 data above, over 80% of debt had aged beyond 30 days in 2014-15, compared to less than 70% in 2015-16. Comparing Quarter 3 almost 90% of debt was beyond 30 days in 2014-15 whilst in the current year this figure is below 70%. It is also noticeable that the proportion of debt ageing between 30 and 90 days has fallen (in both quarters compared), implying that action is being taken on this debt, and hence less is progressing through these ages into the greater than 90 days aged category.

Financial Assurance frameworks

As part of the development of the Financial Assurance framework for Business Units a checklist was produced by the Head of Strategic Finance and agreed with the Finance Directors. This checklist asks Finance Directors to confirm the following on a monthly basis;

‘Debts have been regularly reviewed and written off where appropriate and any action taken is appropriately recorded in SAP.’

The latest returns of this assurance checklist have 3 Business Units listing this as Green, one is ‘tbc’ and one return has not yet been received. Previous returns had reported the status of this check as Green.

The levels of current debt form a core part of the Business Unit monthly budget monitoring report, and should be discussed at these Board meetings.

3. Developments in progress

Aged debt reminder messaging

A SAP development is currently under way to deliver notification functionality around aged debts. The intention is that once a debt becomes overdue an automated message will be sent to the raiser of the debt to identify that payment has not been received. A further automated message will be generated to the debt raiser when the debt reaches 90 days, advising that the debt remains outstanding and that Business Services Plus will take over the management of the debt (as per the Debt Management Strategy). It is envisaged that this will further reinforce the need to keep on top of debt, and drive further cultural change in the ongoing management of debt.

Finance Intranet pages

A priority project for 2016 is a review and revitalisation of the Finance Intranet pages. A consequence of this will be that the pages will be more structured around both the tasks undertaken on financial matters and the roles and responsibilities of those within financial processes. It is intended that all those with responsibility for debt management should have clearly defined responsibilities and clear, concise and understandable guidance on what they need to do and how to do it. Although not focussed solely on Debt management, this will be a key area of development as currently the support available on the Internet are not easily accessible or clearly laid out.

4. Future opportunities / considerations

Clarification of roles & responsibilities

As mentioned above the support on the Intranet in relation to debt management is not clear, and audit reviews of compliance to the Operating Framework suggest that roles and responsibilities in relation to this area are not clearly understood and imbedded. Consideration will be given to a more widespread refresh of these responsibilities, both through the Intranet refresh and through other means. This should further strengthen the culture around debt management.

Review of the Dunning process (bring forward reminder letters 90 to 30 / 60 / 90 days)

In addition to improving the internal notification process to those who have raised debts, consideration is currently being given to the process of sending reminder bills for outstanding debts. Currently reminders are not normally sent until debts have aged to 90 days, unless a reminder is requested by the service concerned. This is partly in response to Social care debts, which may end up being secured against property, but for which this process has either yet to begin or is in progress but not completed.

Early proposals are considering whether it is possible to code debt between commercial and Care debt, and whether it is practical to have a different reminder letter process for each. The intention being to ensure we pursue commercial debt as effectively as possible, whilst taking due care over Care related debt.

Ongoing review of effectiveness of the Debt Management strategy

In completing this report it has become clear that we currently hold limited metrics as to the effectiveness of Debt Management in the organisation. Whilst we have measures which can provide an indicative measure of performance we do not have the sorts of measures available which might be considered best practice in a commercial organisation. As such it is proposed that a set of additional measures be developed to report more commercially on key debt metrics, whilst recognising the differing natures of the debts we hold as an organisation.

Recommendation

The Committee is invited to review and comment upon the progress report on the implementation of the Debt Management Strategy and its operation over the past 9 months, and consider additional opportunities to improve the operation and measurement of the strategy going forward.

Supporting information to include the following if a decision is being requested:

Resource implications

None

Legal implications

None

Other implications/issues

None

Feedback from consultation, Local Area Forums and Local Member views (if relevant)

None

Background Papers

None
