

LEVEL OF OUTSTANDING DEBT

To: **Audit and Accounts Committee**

Meeting Date: **20th September 2018**

From: **LGSS Finance Director**

Electoral division(s): **All**

Forward Plan ref: **Not applicable** *Key decision:* **No**

Purpose: **To update the Committee on actions being taken to control and manage debt and to agree an adjustment on the debt management targets.**

Recommendation: **The Committee is asked:**

- a) **To note the actions being taken to manage income collection and debt recovery.**
- b) **That the 2018/19 debt reduction targets agreed last year are now applied in their entirety to debt aged over 90 days old at 31 March 2018 as follows:**

	Adult Social Care	All other Sundry Debt
91+ day debt as at 31/03/18	£3,655k	£2,007
Reduction %	8%	15%
Reduction value	£286k	£298k
91+ day debt Target 31/03/19	£3,369k	£1,709k

- c) **To note the revised collections strategy**
- d) **Agree that a further update will be provided in March 2019**

<i>Officer contact:</i>		<i>Member contacts:</i>	
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1 BACKGROUND

- 1.1 Members noted that Cambridgeshire County Council (CCC) needed to lower the level of operational debt outstanding and agreed reduction targets for the 2018/19 financial year.
- 1.2 This report is also being presented to the General Purpose Committee meeting on 20th September 2018 and sets out the current position, the actions being taken to reduce debt and make recommendations to the Committee to manage the position further.

2 STRATEGIC IMPROVEMENTS

- 2.1 Over the last 6 months there have been 3 significant changes to facilitate improvement in the management of CCC's income collection as listed below:
 - 2.1.1 The transition to the new ERP Gold system in April 2017 changed this key platform to a modern fully integrated operating system. For debt management the increased automation and better reporting means that overdue income can be pursued quicker and more effectively.
 - 2.1.2 Previously, the Debt & Income service was just one of several responsibilities of the Head of Finance Operations. To improve the strategic focus of this essential service, a new Head of Debt & Income role was created and an experienced senior manager recruited with a successful track record of reducing Local Authority debts.
 - 2.1.3 In March 2018, a staffing restructure separated debt management into single Local Authority debt teams. Previously, a multi-partner debt team managed both the CCC and Northamptonshire County Council (NCC) income collection. Whilst this is effective for many of the services provided by LGSS, debt management needs dedicated single focus debt teams operating in the respective locality. The restructure also allowed LGSS to increase the staffing resource on the CCC debt team by the inclusion of an additional senior debt officer dealing with complex cases, probates and home visits to adult social care customers.

3 DEBT REDUCTION TARGETS

- 3.1 The targets agreed at GPC last September were for the following debt reductions for 2018/19 against a 31 March 2018 baseline as tabled below:

Aged Debt	Adult Social Care	All other Sundry Debt
1-90 days	3%	3%
91 – 360 days #	5%	5%
360+ days #	7%	7%

excludes payment plan and secured debts

- 3.2 This was the first review of debt targets since 2008 and enabled Adult Social Care debts to be separately targeted and reviewed. Many service users do not consider the Council as a priority debt and for Adult Social Care whether the charges should be repaid at all.
- 3.3 The table below shows the closing debt balances as at 31/03/18 and the level of debt reduction targeted for 2018/19 based on the percentage reductions agreed by the GPC last September.

	Debt as at 31/03/18		Target reduction 2018/19	
Age of Debt	Adult Social Care	Sundry Debt	Adult Social Care	Sundry Debt
	£m	£m	£m	£m
1-90 days	2.375	6.488	(0.071)	(0.195)
91-365 days #	2.041	1.860	(0.102)	(0.093)
365+ days #	1.614	0.147	(0.113)	(0.010)
Total	6.030	8.496	(0.286)	(0.298)

excludes payment plan and secured debts

- 3.4 In the first four months of 2018/19 there was some disruption to billing as the system migration took place and staff settled in to using the new functionality. The timing of when high value invoices are billed has an impact on the debt outstanding at any one particular time. At the end of July 2018, there's a notable rise in the recently billed Adult Social Care debt which at £7.143m appears to be a big increase compared to the end of March 2018. However, this is due to the fluctuations of billing, with £6.3m being less than 30 days old including a single NHS invoice for £4.6m that should be resolved well before it would become an aged debt. The table listed below shows the year on year comparison.

	Debt as at 31/07/17		Debt as at 31/07/18	
Age of Debt	Adult Social Care	Sundry Debt	Adult Social Care	Sundry Debt
	£m	£m	£m	£m
1-90 days	1.835	2.095	7.143	3.131
91-365 days #	3.607	6.165	2.377	3.513
365+ days #	1.470	0.832	1.594	0.288
Total	6.912	9.092	11.115	6.933

excludes payment plan and secured debts

- 3.5 Aged debt varies throughout the year as invoices progress through the debt process to collection or write-off. Debt less than 90 days old is either in the early stages of being pursued or if very recently billed, may not have been issued with the first reminder notice.
- 3.6 It is therefore proposed that the 2018/19 debt reduction targets are simplified so that the whole £0.584m reduction in debt applies only to debt aged over 90 days old (£0.286m for Adult Social Care and £0.298m for Sundry Debts). This removes the vagaries of billing whilst maintaining the agreed value of debt reduction. The proposed targets and value of debt reduction for 2018/19 (i.e. to be achieved by 31/03/19) are tabled below:

	Adult Social Care	All other Sundry Debt
91+ day debt as at 31/03/18	£3,655k	£2,007
Reduction %	8%	15%
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- 3.7 The graph attached as Appendix 1 shows the Adult Social Care debt aged over 90 days old for 2018/19 compared to the whole of the previous year. This shows that the level of outstanding debt is £1m lower than at the same time last year.

4 BENCHMARKING

- 4.1 In the Committee report last September, reference was made to the annual CIPFA debtors benchmarking club draft report showing that the level of CCC's debts compared well across the 27 Local Authorities that took part. The 2018 CIPFA benchmarking report is not yet available but when received it will enable a more up to date comparison to be reviewed.

5 COLLECTION STRATEGY

- 5.1 The Collections Strategy for CCC income management was revised in April 2018 to incorporate the transition to the new ERP system and includes the following key items:
- 5.1.1 Achieving the optimum balance between sensitivity when dealing with vulnerable customers whilst being fair and firm in our resolve to collect overdue income from across the whole customer base. There is a new reference as to how we determine which customers are the 'Can't Pays' as opposed to the 'Won't Pays'.
- 5.1.2 The new ERP system issues automated debt recovery notices that escalate in tone from an initial reminder to a final demand to a formal letter before legal action.
- 5.1.3 The Debt Recovery Strategy details the 4 main options for consideration following the automated suite of debt recovery notices. Customer and case specific, these are:
- Collaborative interaction with service providers and receivers of Adult Social Care that may require a customer home visit.
 - Referral to external collection agencies.
 - Commencement of Legal action.
 - Cancellation of unsubstantiated debts and preparation of write-offs.
- 5.1.4 Management reporting is on a monthly basis and includes:
- Aged debt by Directorate for all Services.
 - Performance report against year-end targets.
 - Adult Social Care detailed report.
- 5.1.5 Irrecoverable debts are written-off in accordance with the delegated authority and financial regulations as to when such debts are considered irrecoverable.

6 ACTIONS BEING TAKEN TO REDUCE DEBT

- 6.1 Listed below are the actions being taken to reduce debt:
- Formalised a dedicated CCC only debt team based at Cambridge
 - Increased the number of staff by the addition of another Senior Debt Officer
 - Reducing reliance on agency temps by recruiting more permanent staff
 - Increased automation of payment reminder notices via the new ERP system
 - Issued over 4,000 debt notices chasing £17m in the first 4 months
 - Increased focus on outbound calling to chase overdue payments
 - Reviewing the use of external agencies and effectiveness of litigation
 - Encouraging services to being paid in advance where possible so that retrospective invoicing and chasing overdue debt is no longer needed

7. ALIGNMENT WITH CORPORATE PRIORITIES

7.1 Developing the local economy for the benefit of all

There are no significant implications for this priority.

7.2 Helping people live healthy and independent lives

There are no significant implications for this priority.

7.3 Supporting and protecting vulnerable people

There are no significant implications for this priority

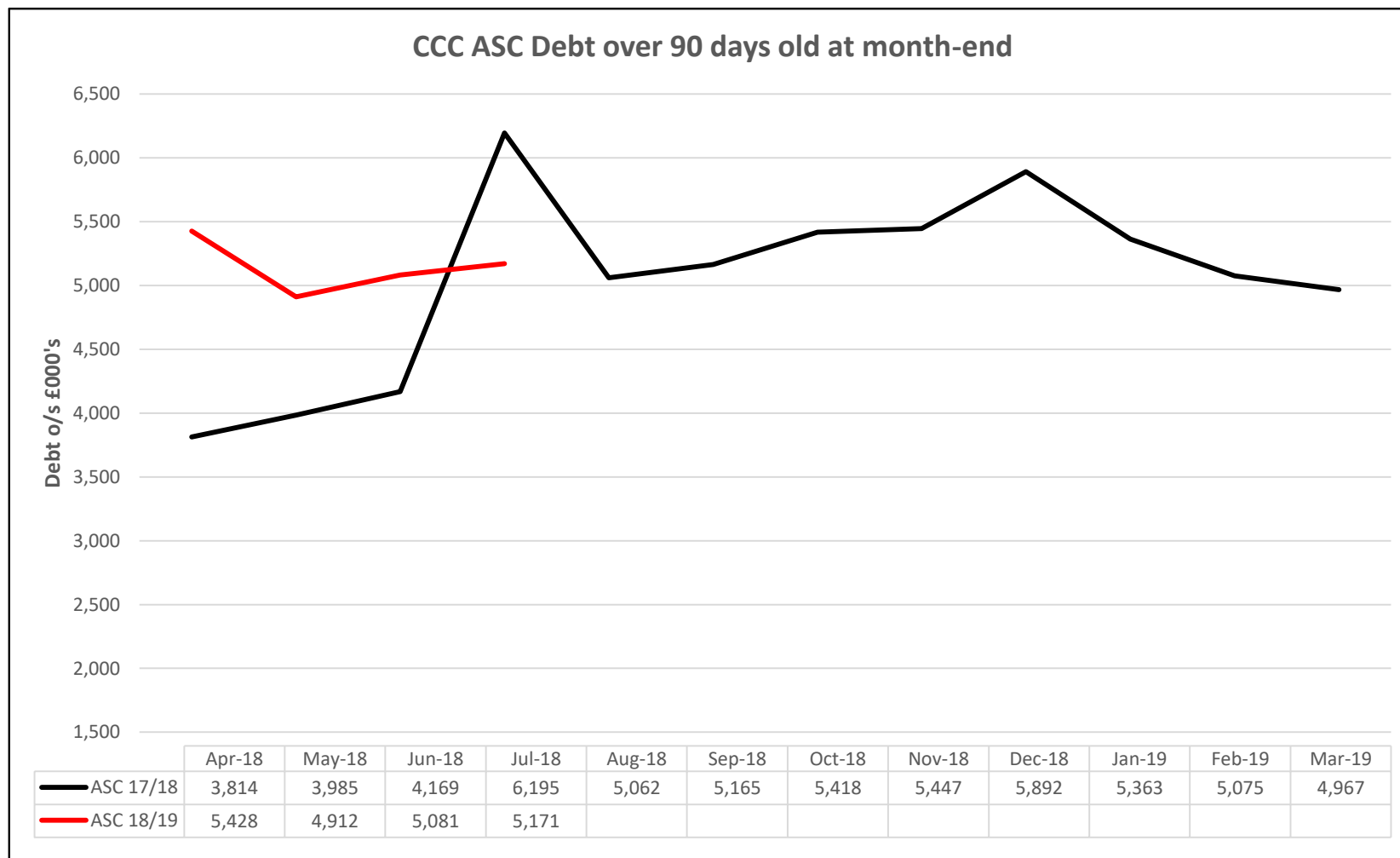
8. SIGNIFICANT IMPLICATIONS

There are no significant implications within this category.

Implications	Officer Clearance
Have the resource implications been cleared by Finance?	Yes Name of Financial Officer: Chris Malyon
Have the procurement/contractual/ Council Contract Procedure Rules implications been cleared by the LGSS Head of Procurement?	Not Applicable
Has the impact on statutory, legal and risk implications been cleared by LGSS Law?	Not Applicable
Have the equality and diversity implications been cleared by your Service Contact?	Not Applicable
Have any engagement and communication implications been cleared by Communications?	Not Applicable
Have any localism and Local Member involvement issues been cleared by your Service Contact?	Not Applicable
Have any Public Health implications been cleared by Public Health	Not Applicable

SOURCE DOCUMENTS GUIDANCE

Source Documents	Location
Level of Outstanding Debt Report to General Purpose Committee – September 2017	https://cmis.cambridgeshire.gov.uk/ccclive/Committees.aspx



NB: Shows all outstanding debt including payment plan and secured