Agenda Item No:10

LEVEL OF OUTSTANDING DEBT

To:	**General Purposes Committee**
Meeting Date:	**19th September 2017**
From:	**LGSS Finance Director**
Electoral division(s):	**All**
Forward Plan ref:	**Not applicable** *Key decision:* ***No***
Purpose:	**To update the committee following the report in December 2016 on progress to date, on the actions being taken to control and manage debt and to agree revised debt management targets.**
Recommendation:	**The Committee is asked:**

(i) **to note the actions being taken to manage income collection and debt recovery.**

(ii) **agree that the Credit Control Service continues to utilise external debt collection agencies for appropriate debts reporting performance to the Chief Finance Officer quarterly.**

(iii) **that the debt targets be split between Adult Social Care and Sundry debt with a target to reduce the aged debt levels in each financial year from 2017-18 as follows:**

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

(iv) **agree that a further update will be provided in March 2018.**

	Officer contact:		*Member contacts:*
Name:	Chris Law	Names:	Councillors Count & Hickford
Post:	Head of Finance Operations	Post:	Chair/Vice-Chair
Email:	claw@northamptonshire.gov.uk	Email:	Steve.Count@cambridgeshire.gov.uk Roger.Hickford@cambridgeshire.gov.uk
Tel:	07841 784606	Tel:	01223 706398

1. BACKGROUND

1.1 Members noted that Cambridgeshire County (CCC) has not been achieving the Integrated Resources and Performance Report (IRPR) debt targets set for some time and that the total operational debt outstanding is a cause for concern.

1.2 This report will set out the current position following the report presented in December 2016 including progress made to date, the factors that are continuing to place upward pressure on the total debt figures and the actions being taken to manage the position currently and make recommendations for the Committee to manage the position further.

2. MAIN ISSUES

2.1 The operational debt targets currently in place have not changed since circa 2008 when the value of invoices was lower. As reported in December, as invoice values are generally increasing so has actual debt been rising over the period for a number of reasons but mainly due to the increased invoiced contributions for Adult Social Care services and the growing unwillingness of people to pay.

2.2 The table below details volumes and activities for each of the years at an Authority level including the average service invoice value. This is important to identify from the perspective of debt recovery as when you combine the total debt and invoice volumes the average value is considerably lower due to the number of low value invoices issued. This information is also set out in Directorate level detail in **Appendix 1**.

2.3 Furthermore, if the sundry debt invoices are stripped out of the average invoice values, it can be seen how social care invoice values have risen over time thus placing pressure on the overall debt figures due to non-payment.

CCC Debt Data - 2011/12 to 2015/16 Comparison

			Total	
	Current Target	**2011-12**	**2015-16**	**2016-17**
	£	**£**	**£**	**£**
Volume of Invoices Raised		70,372	66,016	69,528
Value of Invoices Raised		165,458,250	184,669,488	172,783,679
Average Total Invoice Value		2,351	2,797	2,485
***Year End Debt - 4-6 Months**	**410,000**	373,304	728,887	790,995
***Year End Debt 6 Months+**	**990,000**	723,727	2,032,677	2,222,245
***Total Debt > 90 Days**	**1,570,000**	**1,097,031**	**2,761,564**	**3,013,240**

***Debt Figures Over 90 Days Taken from Year End Aged Debt by Directorate Reports & Exclude Payment Plan and Secured Charge Debts**

3. CHALLENGES IN COLLECTING DEBT

3.1 There are continuing factors that have contributed to the increase in total operational debt in the last financial year:

- The impact of austerity on people's income and ability to pay – for example, benefits income has remained relatively static for older people/those with care needs whilst inflation and the costs of goods and services continues to rise.

- The proportion of low value non-social care invoices raised is having an adverse impact on resource utilisation as time is being spent reviewing and managing these instead of the higher value/more difficult to collect invoices.

- Increased charging for services previously provided either at a lower cost or for free by the Council, e.g. care services, sheltered housing, school transport.

- Increased charging in Adult Social Care services. In 2016/17, 5,421 financial assessments were conducted, which was an increase of 1,075 from 2015/16 with a greater proportion of those being assessed now being required to pay for the service in full

- People refusing to pay or considering the Council as low on the list of creditors to pay. Where care services are being provided and cannot be stopped the Council potentially faces a worsening position month on month.

3.2 The Credit Control service are experiencing significant issues in being able to recruit and retain staff to work in credit control that is now starting to impact the ability to drive down the overall aged debt. This is a combination of the available salaries in the market compared to what is offered by the Council and a lack of suitable candidates. In an effort to reduce risk and improve resilience a team of credit control staff in Northampton is being recruited to manage NCC work leaving the remaining Cambridge based staff to work on CCC work. In the short term this will alleviate the issues currently being faced whilst an assessment is made on what can be done differently to retain and recruit staff.

3.3 Adult Social Care debt remains the most difficult to collect mainly due to the competing demands on people's income and so their ability to pay together with a small number of people who believe they should not have to pay for the care they are receiving. Work is underway to improve working arrangements between the financial assessment and care management teams particularly the internal processes and sharing of knowledge and experience. Some improvement is being seen but there is more work to do.

4. PREVENTION ACTIVITY

4.1 Debt prevention activities remain the most effective method to reduce the risks of bad debt occurring and there are a number of strategies in place including:

- The Credit Control Service continue to proactively engage with Adult Social Care to collaborate on debt prevention, improved processes and managing the customer journey as a single integrated process with the aim of reducing the time from care needs being assessed to an invoice being issued.

- Service users are advised, in all cases, that they can pay by direct debit in all instances. This has resulted in increased direct debit take-up with 41% of invoiced service users now being supported by this payment method.

- There is a financial assessment officer working at Addenbrooke's hospital alongside social care staff to undertake financial assessments concurrently with care assessments.

- Training is being provided to all Care Management staff about the financial assessment process and the importance of discussing this with a service user and, where possible, collecting any documents or forms.

- The Financial Assessment Team now have access to the Department for Work and Pensions (DWP) Customer Information System (CIS), which provides access to the financial information of a service user even if they have not yet provided it. A major advantage is the removal of the need to provisionally assess a service user due to non-disclosure. This in turn leads to more accurate invoicing and less potential for inflated debt figures if invoices remain unpaid (which is highly likely in non-disclosure cases).

- Now CIS access has been obtained, the financial assessment process is being reconfigured to move to undertaking recorded telephone financial assessments during Q3 of this financial year. The benefit of this will be that a service user will be informed at the end of the call what their financial contribution will be.

- Working alongside the CCC Transformation Team, the Credit Control Service has supported departments and services where requested as they seek to provide services differently, e.g. moving to payment on application rather than invoicing.

- The ICON cash management system was deployed into CCC in June 2017 as part of the wider strategic work on replacing Oracle with ERP Gold and to provide greater functionality to enable CCC to transform how it takes payments for services.

5. DEBT RECOVERY PROGRESS & STRATEGY

5.1 The Collections Strategy remains the starting point for all recovery activity with the initial letters being system driven and all appropriate low-value invoices being filtered out early and passed to the three external collection agents currently being used. This leaves the skilled debt recovery officers the time to focus on reviewing higher-value cases to determine the most appropriate way forward.

5.2 Three external debt collection agents are available to be used and to date we have sent CCC debts to two of them – Capitol Collections and DWF. A summary of the performance between March 2016 and March 2017 is below with the full data available in **Appendix 2.**

Collection Agents Performance Summary
March 2016 to March 2017

Debt Type	Total Referred (£)	No of Accounts	Total Collectable (£)	Actual Collection (£)	As %
Capitol					
Probate	226,128	42	202,875	80,477	40
Sundry	138,018	419	88,407	64,698	73
Overall	364,146	461	291,282	145,175	50
DWF					
Probate	8,195	67	7,790	1,223	16

5.3 Capitol have been used by CCC for a longer period and so have a larger number of debts referred to them and have had a longer period over which to try and recover the outstanding amounts due. DWF have also only had Probate related cases sent to them during the period being reported with virtually all of them related to adult social care. These are difficult cases to collect with many estates having insufficient money available to settle the debt.

5.4 In the December 2016 report it sets out that all debts referred to collection agents are those that that previously would have been written off (after exhausting all other available avenues) and are taken on a 'no collection, no payment' basis. As such, any collection return is additional money the authority would otherwise not have received.

5.5 Legal action continues to be an avenue pursued where the prospect of recovery is considered to be good in terms of the costs and resources required. Each case is assessed on its own merits in terms of the amounts due, known assets and likely success of the action otherwise there is the potential to throw good money after bad. There are currently no active cases.

5.6 We have secured additional, one-off funding for two additional Senior Credit Control Officers for 1 year to support both CCC and NCC aged debt. They will specifically target over 180 day debt in ASC with a remit to recover overdue payments, put in place direct debits for ongoing care payments (where applicable) and collaborate with ASC colleagues on where process improvements can be made to minimise aged debt from occurring.

6. TARGETS FOR DEBT RECOVERY

6.1 This report recommends that the targets need to be updated and to do this it would make sense to rebase the target to current level otherwise the position of continually reporting under performance will persist. Recognising that the largest invoicing area both by volume and value is Adult Social Care and that this is also the most challenging debt to collect, it is proposed that the target is split into two categories – Adult Social Care debt and Sundry debt – to effectively measure performance across the distinct debt types.

6.2 Comparative data on ASC debt levels of neighbouring authorities accompanied the December 2016 GPC report and this showed CCC performance to be better than almost all those who provided data. As agreed at GPC, CCC has joined the annual CIPFA Benchmarking Club and the draft report has recently been received.

6.3 There are 27 other Authorities who have chosen to take part in the benchmarking, being a mix of counties, boroughs and districts. Overall, Cambridgeshire compares favourably in most areas where it was possible to fully engage in (there were a small number of areas where it was not possible to extract the data required on this occasion, however work has been undertaken to ensure this is not an issue in future years).

6.4 42% of Cambridgeshire debt is current (1-30 days) with 27% over a year old (this includes secured and payment plan debts) both of which are in the top quartile of performance with the remaining 31% between 31 and 364 days, where Cambridgeshire's performance is at the median when compared against the other participating authorities.

6.5 Whilst there are some positives to be taken from the benchmarking undertaken, the continued high volumes of low value invoices are impacting on the effectiveness of the team to focus on the higher, more problematic to collect Adult Social Care debts. The achievement of sustainable debt reductions relies heavily on CCC Directorates transforming how paid services are delivered in terms of payment upon application wherever possible and / or securing direct debits / electronic recurring payments to significantly reduce invoice volumes and the Credit Control Service and CCC Transformation Team are pro-actively working together to deliver the necessary changes.

6.6 To take account of the differences between sundry and adult social care debts it is proposed to split out debt reporting into two categories for performance measurement purposes. Whilst an overarching target to achieve could be implemented it is considered a percentage reduction base lined annually to the year-end position is the most effective way to measure improvements.

6.7 The proposed debt reductions by 31 March 2019 against a 31 March 2018 baseline are as follows:

Aged Debt	Adult Social Care	Sundry Debt
1 - 90 days	3%	3%
91 - 360 days*	5%	5%
360+ days*	7%	7%

*excluding debts with legal, on payment plans or secured

It is proposed to take the overall debt figures at 31 March each financial year as the baseline to measure performance in this area with a review of the targets every 3 years.

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

8.1 **Resource Implications**

There are no significant implications within this category

8.2 **Procurement/Contractual/Council Contract Procedure Rules Implications**

There are no significant implications within this category.

8.3 **Statutory, Risk and Legal Implications**

There are no significant implications within this category

8.4 **Equality and Diversity Implications**

There are no significant implications within this category

8.5 **Engagement and Communication Implications**

There are no significant implications within this category

8.6 **Localism and Local Member Involvement**

There are no significant implications within this category

8.7 **Public Health 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	Location
Integrated Resources and Performance Reports to General Purposes Committee Level of Outstanding Debt Report to General Purposes Committee – December 2016	https://cmis.cambridgeshire.gov.uk/ccc_live/Committees.aspx