

**LEVEL OF OUTSTANDING DEBT**

**To:** General Purposes Committee

**Meeting Date:** 20th December 2016

**From:** LGSS Finance Director

**Electoral division(s):** All

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

**Purpose:** To update the committee on the current level of debt and actions being taken to manage it presently, to review the targets set and propose actions to control it further.

**Recommendation:** The Committee is asked to note the current position, agree the revised targets and proposed actions detailed below to manage it down to these levels.

- (i) that the Debt Service continues to engage with Cambridgeshire County Council (CCC) to convert services to pay on application using online processes wherever possible with particular focus on eradicating all low value invoices being issued for less than £250.
- (ii) that the Debt and Financial Assessment Services continue to engage with Adult Social Care (ASC) on process changes designed to improve the speed information is provided/shared, the collection and sharing of data on care packages and increase direct debit penetration with the aim of securing one for all new cases with immediate effect.
- (iii) that the Collections Strategy has been reviewed and updated to reduce the timescales before intervention takes place and implement a clear direction for how low value invoices will be managed to enable resources to be deployed in the most effective way.
- (iv) that the Debt Service continues to assess the effectiveness of the current debt collection agencies, whether they should continue to be used (or replaced) and how best this type of service could be used to support collecting debt.
- (v) that once access to DWP CIS is available, introduce telephone financial assessments to speed up the invoicing process and

reduce the potential for bad debt to occur.

- (vi) that once access to DWP CIS is available, in collaboration with ASC introduce a provisional charge matrix to replace the current full cost approach where a financial assessment cannot be completed to minimise the likelihood of debt accruing that is not actually due.
- (vii) continue with the implementation of the ICON system and seek with CCC to exploit its full potential in due course.
- (viii) That the debt targets be rebased to the current levels split ASC only 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	Sundry Debt
1 - 90 days	5%	5%
91 - 360 days	7.5%	10%
360+ days	10%	15%

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## 1. BACKGROUND

- 1.1 Members have noted that Cambridgeshire County (CCC) has not been achieving the Integrated Resources and Performance Report (IRPR) debt targets set for some time and the total operational debt outstanding.
- 1.2 This report will set out the current position including the factors that are putting upward pressure on the total debt figures, which are above the targets set, the actions being taken to manage the position currently and recommendations for the Committee to manage the position further.

### Responsibilities of CCC

- 1.3 The Council agreed a formal Collections Strategy in June 2014 to bring together both debt policy and process to ensure they were aligned towards achieving the Council's strategic financial objectives. This has now been revised and updated to reflect the need for a more robust timescale when chasing overdue debts including the options for external debt collection agents and legal services to be used.
- 1.4 The key aspects of the Strategy are:
  - CCC departments must seek payment upfront or on delivery of service for all applicable services only invoicing for those where it was absolutely necessary to do so in order to minimise the potential for bad debts to occur;
  - All invoices must be raised in Oracle using the prescribed method within a maximum period of 7 days from the delivery or start of services quoting purchase orders (where applicable);
  - A first and final reminder is sent to customers after 34 days to advise the invoice is overdue for payment and that enforcement action will commence if it is not paid within a final period of 10 days.

### Debt Recovery Service Responsibilities

- 1.5 The Debt Recovery Service is an integrated, single team based in Cambridge providing the service across Cambridgeshire and Northamptonshire. The team comprises of 9 FTE reporting to a Team Leader and through to a dedicated Service Delivery Manager for Debt and Income. There are two dedicated Senior Debt Officers who manage large value, challenging Adult Social Care debts that have multiple unpaid invoices.
- 1.6 The debt recovery team manages all debt types for CCC and Northamptonshire County Council (NCC) and is supplemented by two dedicated Senior Debt Officers based in Northampton who manage large value, challenging Adult Social Care debts that have multiple unpaid invoices.
- 1.7 Where an invoice remains unpaid following the final demand being issued one of two things will happen:
  - Invoices for less than £250 will automatically be referred to external debt collection

agents for further recovery action

- For all invoices above £250, a review of the case is undertaken, which involves a debt recovery officer reviewing the invoice raised, any communications received and then attempting to speak to the customer to secure payment in full or to set up a repayment plan.

- 1.8 If contact cannot be established a decision is then taken on the next action, i.e. commence legal action or send to an enforcement agent, or refer to a Senior Debt Recovery Officer (high-value Adult Social Care only).
- 1.9 The case will then be periodically reviewed and monitored depending on the course of action taken.
- 1.10 Monthly Aged Debt reports are issued by the Debt Service to Directors and budget holders and the financial implications of the aged debt position is reported as part of the monthly budget monitoring process. This ensures transparency and enables services to interact with the central debt team, where necessary, to progress any issues and/or engage directly with a customer to expedite payment.

## 2. MAIN ISSUES

- 2.1 The value of the invoices raised by the Council has fluctuated during the last six years but currently the total value of invoices raised has increased although volumes are marginally down. The operational debt targets currently in place have not changed since circa 2008 when the value of invoices was lower. As set out below, as invoice values are generally increasing so has actual debt been rising over the period for a number of reasons, which are outlined in the following sections.
- 2.2 In 2011/12, the Council issued 70,372 invoices with a total value £165.5m with an average invoice value of £25,617. In 2015/16, the number of invoices issued had decreased to 66,016 (6%), however the total value had increased to £184.6m (11.6%) with an average invoice value of £31,055. This is in contrast to the position in Adult Social Care, which is explored in more depth later where total invoice value is static but debt is rising.

The Total and Directorate breakdown of invoicing volumes and values is as follows:

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

	Current Target	Adult Social Care		
		2011-12	2015-16	Increase / Decrease
	£	£	£	£
<b>Volume of Invoices Raised</b>		52,126	47,378	-4,748
<b>Value of Invoices Raised</b>		62,355,827	74,073,803	11,717,976
<b>Average Invoice Value</b>		1,196	1,563	367
<b>*Year End Debt – 90-180 Days</b>	<b>340,000</b>	196,075	543,996	347,921
<b>*Year End Debt – 181 Days +</b>	<b>920,000</b>	541,586	1,929,378	1,387,792
<b>*Total Debt &gt; 90 Days</b>	<b>1,260,000</b>	<b>737,661</b>	<b>2,473,373</b>	<b>1,735,713</b>

	Children's & Families			
	Current Target	2011-12	2015-16	Increase / Decrease
	£	£	£	£
Volume of Invoices Raised		13,128	13,745	617
Value of Invoices Raised		48,584,520	42,484,583	-6,099,937
Average Invoice Value		3,701	3,091	-610
*Year End Debt – 90-180 Days	30,000	21,561	46,299	24,737
*Year End Debt – 181 Days +	30,000	7,079	20,525	13,446
*Total Debt > 90 Days	60,000	28,640	66,823	38,183

	Environment Services			
	Current Target	2011-12	2015-16	Increase / Decrease
	£	£	£	£
Volume of Invoices Raised		2,291	2,245	-46
Value of Invoices Raised		17,347,505	10,019,947	-7,327,558
Average Invoice Value		7,572	4,463	-3,109
*Year End Debt – 90-180 Days	20,000	15,609	81,601	65,992
*Year End Debt – 181 Days +	10,000	172,398	31,542	-140,856
*Total Debt > 90 Days	30,000	188,007	113,144	-74,863

	Corporate Services			
	Current Target	2011-12	2015-16	Increase / Decrease
	£	£	£	£
Volume of Invoices Raised		2,827	2,648	-179
Value of Invoices Raised		37,170,399	58,091,155	20,920,756
Average Invoice Value		13,148	21,938	8,789
*Year End Debt – 90-180 Days	20,000	140,058	56,991	-83,067
*Year End Debt – 181 Days +	30,000	2,665	51,233	48,568
*Total Debt > 90 Days	50,000	142,723	108,224	-34,499

	Total			
	Current Target	2011-12	2015-16	Increase / Decrease
	£	£	£	£
Volume of Invoices Raised		70,372	66,016	-4,356
Value of Invoices Raised		165,458,250	184,669,488	19,211,238
Average Invoice Value		2,351	2,797	446
*Year End Debt – 90-180 Days	410,000	373,304	728,887	355,583
*Year End Debt – 181 Days +	990,000	723,727	2,032,677	1,308,950
*Total Debt > 90 Days	1,570,000	1,097,031	2,761,564	1,664,533

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

- 2.3 The level of debt written off by the Council in 2014-15 was £308,710 and this reduced in 2015-16 to £210,806, however to October in the current financial year £205,010 has been written off with a projected year-end total in the region of £400,000. The decrease in 2015-16 figures is not due to any one single event or issue and it is likely this was a culmination of the stages debts being reviewed were at and the changes to people and processes that were undertaken, which is explained later in this report. Benchmarking data is being sought from other Council's together with information on their processes and practices relating to debt services in order to drive a best practice approach.
- 2.4 Whilst there is forecast to be a higher level of write off this year to the previous two years, with the changes already made and those planned it is expected that the position will not deteriorate further in the coming years. Continued collaboration between the debt service and all Directorates of the Council is key to both managing the current aged debt and importantly reducing the amount of invoiced debt generally.

#### Changes to Invoicing Behaviour

- 2.5 The decrease in invoice volumes can be attributed to reduced manual invoicing and more automation leading to a greater number of combined invoices being issued together with a drive to convert services to payment on delivery/application thus negating the need to invoice at all.
- 2.6 The Debt Service has engaged with the digital strategy work undertaken by CCC to provide the required support/data to enable services to be moved to non-invoice based with an emphasis on using online payment methods to maximise efficiencies. There is reduced process cost as well as any potential for debt. Some key examples are:
- Skip Permits
  - Training Courses (various)
  - Visitor Parking Permits
  - Dropped Kerbs
  - Highway Signage
  - SEND Post 16
  - Application to become an approved premise
  - Registration Services (not all currently)
- 2.7 In 2010/11, 17,025 transactions with a value of £1.58m were undertaken using online methods and by 2015/16 this has risen to 31,070 transactions with a value of £3.7m. This is a mix of services where payment is taken up front electronically and those where payment is now also on line but where the service has already been provided.

#### Adult Social Care – Impact of Changes

- 2.8 The increase in invoiced values is slightly misleading if taken on its own. For example, in 2011/12 the total value was £165.5m, however in 2013/14 this had reduced to £150.6m before increasing in 2015/16 to £184.6m.
- 2.9 There are many factors that affect the invoicing of the Council due to the diverse nature of the services offered and the projects and programmes ongoing at any one time. For example, if large capital projects or joint-working arrangements are undertaken in one year

but not another then this could adversely affect the value of invoices raised. It is not straightforward to strip these out to provide a more consistent data set for comparative purposes.

- 2.10 The current debt position is largely attributable to the increased levels of charging for Adult Social Care services where changes over time to the charging policy have resulted in more people being assessed to financially contribute towards the services they receive.
- 2.11 In 2011/12, 3,427 financial assessments were conducted and by 2015/16 this had increased to 4,346. In 2016/17, 3,554 have already been undertaken and it is anticipated the figure will exceed 5,000 for the full year. Furthermore, a greater proportion of those being assessed are being required to pay for the service in full.

In terms of financial values, in 2011/12 the average invoice value for Adult Social Care invoices was £500, in 2012/13 this had risen to £538 and in 2015/16 it stood at £553.

- 2.12 Another factor is the considerable increase in high-cost packages as well as the assessed contribution levels. In May 2011, the maximum high-cost package invoice was £484 but by May 2015 had risen to £1,475 and by September 2016 to £1,882.
- 2.13 This is significant as Adult Social Care debt has always been – and remains – the most difficult to collect mainly due to people not believing they should have to pay for the care they are receiving or delays in internal processes. The working relationship between the Financial Assessments team and Care Management Teams has generally been good with little delay between the start of care and the instruction for assessment, which is in contrast to Northamptonshire where there are consequently higher levels of debt. There are nevertheless recent examples of increasing delays in excess of eight to ten weeks (July, August, and September this year).
- 2.14 There have been some more recent changes from January 2016 that are also now impacting the overall Adult Social Care debt. Invoicing for community care is now backdated to the date it commenced, which is resulting in larger invoices than previously being issued especially where there have been any delays in the process, e.g. notification by a care team to the financial assessments team or the service user has been slow to provide the required information to complete the assessment. The cost would have been borne by the service historically.
- 2.15 A harder stance is now being taken with service users (clients) who do not engage or return any information required for the assessment leading to a full-cost charge being applied, which in some cases can be £375 per week higher than the likely assessed charge. Since this change was made 124 cases have had a full-cost applied due to non-disclosure of information.
- 2.16 There is a potential downside to this approach as when the missing information is supplied and the financial assessment is completed the actual assessed charge is, in almost all cases, much lower than the invoiced charge. Whilst corrective action can be taken once the information is received, an unintended consequence is the potential for income to become over-stated until this happens. Additionally, evidence and experience demonstrates that service users simply will not pay the full-cost invoices issued or even part thereof meaning the Council receives no income for the care services being provided.

### Debt Recovery Challenges

- 2.17 There are a number of other factors that have contributed to the gradual increase in the total operational debt levels over the last 6 years:
- 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. This impacts on their overall ability to pay as they struggle to manage their finances.
  - 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. In 2015/16, 34% (22,132) of the total invoices raised were for less than £1,000 with 28% (18,738) less than £500, 22% less than £250, 12% less than £100 and 5% less than £50.
  - 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.
  - People refusing to pay or considering the Council are 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.
  - In Adult Social Care, the number of cases where financial abuse/deprivation of assets is increasing as people try to avoid having to pay a contribution towards their care costs.

### Management changes

- 2.18 Structural changes in the management team in late 2014/early 2015 enabled a series of improvements to be introduced including changes to staff where performance issues needed to be addressed.
- 2.19 The new management team has revised the debt processes and introduced a more structured performance monitoring system with individuals being targeted and monitored on debt recovery activity monthly.
- 2.20 Resources are allocated to debt types at the start of each month based on the latest available data. This is kept under review throughout the month and changes made when necessary. Inevitably, the most resource is deployed on reviewing and managing Adult Social Care debt as this is the single biggest invoice raising Directorate (by volume and value) together with being the most difficult to recover.

### Debt Recovery Strategies

- 2.21 The Collections Strategy outlined earlier is the starting point for all recovery activity with the initial letters being system driven. The revised strategy will filter out low-value invoices to an external debt collection agent without any individual review. This will leave our skilled debt recovery officers the time to focus on reviewing higher-value cases to determine the most appropriate way forward.



- 2.22 The primary objective is to secure full repayment or a payment plan when contact with a debtor is made. This is not always possible and depending on individual circumstances the next course of action will vary from case to case depending on factors such as the value of invoice(s), whether any assets are available to pursue, e.g. a property, and the type of services provided. For example, care services cannot currently be stopped even if invoices are not being paid so an increasing debt position results.
- 2.23 Three external debt collection agents have recently been introduced and are used where it has not been possible to collect the outstanding debt via the debt team. These are debts that previously would have been written off (after exhausting all other available avenues) and are taken on a 'no collection, no payment' basis. The performance data from these companies is currently being analysed to assess how best to utilise their services moving forwards.
- 2.24 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.

#### Improvements Made/In Progress

- 2.25 Debt prevention activities remain the most effective method to reduce the risks of bad debt occurring. The Debt Service have pro-actively engaged 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.
- 2.26 The Debt Service have been heavily involved in the changes made by Cambridgeshire in the Customer Contact Centre to ensure the financial information provided is clear, informative and emphasises that it is very likely you will have to financially contribute to any care provided by the Council.
- 2.27 Both the Debt Service and Financial Assessment Team have also adopted a default position of advising service users that payment should be made by direct debit in all instances in an effort to minimise the opportunity for someone to either forget to or not pay invoices issued.
- 2.28 The Debt Service are currently finalising the CCC access to create direct debits online via the telephone. This will provide the ability for any employee of CCC or Finance Operations to take direct debit details over the phone so a mandate can be set up for an invoice to be paid. This will significantly reduce the time the current paper process takes and ensure direct debits can be in place prior to invoices being issued.
- 2.29 The Financial Assessment team have agreed with Adult Social Care that a financial assessment officer will be available one day a week from December in each locality office so Care Management staff can refer cases or queries for resolution or undertake joint visits to service users (so a financial assessment officer would accompany a care worker) to secure the information needed to complete the assessment including a direct debit form or resolve any known issues.

- 2.30 The Financial Assessment team have agreed with Adult Social Care that a financial assessment officer will be placed in Addenbrooke's and Hinchingsbrooke hospital's to work alongside social care staff to undertake financial assessments concurrently with care assessments. This will enable us to collect information faster, manage any queries raised, provide service users with clear information on what their contribution will be and to collect a direct debit in all cases as the method of payment.
- 2.31 The Financial Assessment Team are providing training 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. This is important as more and more people approach the Council the need to minimise delays in invoices being issued/invoices not being paid becomes a priority.
- 2.32 The Financial Assessment Team will shortly have access to the Department for Work and Pensions (DWP) Customer Information System (CIS), which will provide access to the financial information of a service user even if they have not yet provided it. This will lead to financial assessments being undertaken more quickly with improved accuracy on income levels and assessed contribution. If a referral from care management is received in a timely manner this would enable invoicing for services to start earlier, possibly at the point the service starts, thus negating large, one off invoices from being issued that are difficult to collect. An added advantage would also be less risk at the point a service user no longer requires support as services are not being invoiced in arrears.
- 2.33 An additional benefit from introducing CIS would be the ability to more accurately provisionally assess a service user who has not or will not provide details to us. This would remove the current full cost invoicing, which can distort the debt figures and ensure more reflective charging is invoiced.
- 2.34 Once access to CIS is confirmed, the financial assessment process will be streamlined by introducing recorded telephone financial assessments. 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, any queries or objections can be proactively managed and direct debit details will be collected to minimise the risk of bad debt occurring.
- 2.35 Further activity is underway through the implementation of the ICON system that will improve the current processes and systems for taking card payments and also provide the option to utilise recurring card payments for those services applicable, e.g. care provision. Additional benefits from introducing this system will be a streamlined process to take online payments and efficiencies across all services from utilising a single cash management system. There are other modules that will be explored once the core product is implemented to determine which are most beneficial to CCC.

### Targets

- 2.36 Clearly the targets do need to be updated. Initially 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.

- 2.37 For comparative purposes, data on ASC debt levels of neighbouring authorities has been collated and a summary table of this is attached. This shows ASC debt is a challenge for all authorities with large numbers being experienced by all those engaged. This exercise will be conducted annually to assess how well Cambridgeshire is performing and whether any broader issues/challenges are emerging.
- 2.38 To align broadly with the current principles of how performance is measured the following targets for reducing the level of debt over the next 3 full financial years are proposed:

Aged Debt	Adult Social Care	Sundry Debt
1 - 90 days	5%	5%
91 - 360 days*	7.5%	10%
360+ days*	10%	15%

\*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.

### **3. ALIGNMENT WITH CORPORATE PRIORITIES**

#### **3.1 Developing the local economy for the benefit of all**

There are no significant implications for this priority.

#### **3.2 Helping people live healthy and independent lives**

There are no significant implications for this priority.

#### **3.3 Supporting and protecting vulnerable people**

There are no significant implications for this priority.

### **4. SIGNIFICANT IMPLICATIONS**

#### **4.1 Resource Implications**

There are no significant implications within this category

#### **4.2 Statutory, Risk and Legal Implications**

There are no significant implications within this category

#### **4.3 Equality and Diversity Implications**

There are no significant implications within this category

#### **4.4 Engagement and Communication Implications**

There are no significant implications within this category

#### 4.5 Localism and Local Member Involvement

There are no significant implications within this category

#### 4.6 Public Health Implications

There are no significant implications within this category

Implications	Officer Clearance
<b>Have the resource implications been cleared by Finance?</b>	Yes Name of Financial Officer: Chris Malyon
<b>Has the impact on Statutory, Legal and Risk implications been cleared by LGSS Law?</b>	Not applicable
<b>Are there any Equality and Diversity implications?</b>	Not applicable
<b>Have any engagement and communication implications been cleared by Communications?</b>	Not applicable
<b>Are there any Localism and Local Member involvement issues?</b>	Not applicable
<b>Have any Public Health implications been cleared by Public Health</b>	Not applicable

Source Documents	Location
Integrated Resources and Performance Reports to General Purposes Committee	<a href="https://cmis.cambridgeshire.gov.uk/ccc_live/Committees/tabid/62/ctl/ViewCMIS_CommitteeDetails/mid/381/id/2/Default.aspx">https://cmis.cambridgeshire.gov.uk/ccc_live/Committees/tabid/62/ctl/ViewCMIS_CommitteeDetails/mid/381/id/2/Default.aspx</a>