

Debt Management Update

To: Audit and Accounts Committee

Meeting Date: 26th January 2021

From: Head of Finance Operations – Lead Authority Cambridgeshire County Council

Electoral division(s): All

Purpose: Debt Collection Update

Key Issues: The Committee were seeking quarterly updates on the progress of Debt Management

Recommendation: The Committee is asked to:

- a) Note the actions and approach being taken to manage income collection and debt recovery
- b) Agree that a further update will be provided on the position at the end of Q1 2021/22

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1. Background

- 1.1 The purpose of this report is to provide an update on current Debt position following on from previous reports submitted in January and September 2020.
- 1.2 Following the disaggregation of LGSS, there have been changes in the Management Structure, with the Debt Team now within the Finance Operations Function (Lead Authority Cambridgeshire County Council) under the leadership of Alison Balcombe, the Head of Finance Operations. This means that for the first time since 2010, Debt Management is now within the management purview of the CCC Chief Finance Officer. As a result of these management changes, this paper also outlines areas for improvement and actions taken to date.

2. Performance

2.1 Overall Debt position

The table below outlines the current debt position as at the 1 December 2020 currently managed within the Debt Team, therefore the table currently excludes Cambridgeshire and Peterborough NHS CCG Debt (£5.42m) in line with the previous reports presented at the Audit Committee.

Overall debt managed by the Debt Team is £16.96m

	Total Overdue (1 Dec 2020) £m	Pre 18/19 Overdue Debt £m	Post 18/19 Overdue Debt £m
Total Overdue Debt with Debt Team	16.96	2.95	14.01
Write offs – to be processed	-0.11	-0.06	-0.05
Unallocated Credit Notes	-0.21	-0.03	-0.18
Secured via instalments	-1.59	-0.91	-0.68
Secured against a property	-0.17	-0.17	-0.00
Service area disputed - payment delay (a)	-1.62	-0.43	-1.19
Debt in recovery process	13.26	1.35	11.91

Note (a) – this total relates to invoices that have been disputed by the customer and are currently under investigation. Debt recovery is suspended whilst the items are being investigated.

2.2 CCG Update

Nearly all of this debt is for invoices for care package costs for named social care service-users or NHS patients.

- Pre-2018/19 - £3.3m
- 2018/19 and later - £2.3m

The current outstanding debt position with the CCG is approximately £5.6m, of which 87% relates to previous financial years.

Of the total debt value, 48% relates to historic payments of Funded Nursing Care that are due to the Council based on people placed in nursing homes, for who the Council paid statutory FNC amounts on behalf of the NHS. The remainder mostly relates to split-funded care, or Continuing Healthcare reimbursements where a social care service-user has been assessed as needing ongoing healthcare dated from the point of initial assessment.

The previous update on CCG debt in September 2020 showed a total debt position of £6.1m. Since then, progress has been made clearing some specific aged debt, mainly around section 117 mental health aftercare which has now mostly been cleared. Additional 2020/21 debt has partly offset these payments, however.

Work is ongoing with the CCG Finance team to clear historic debt, including fortnightly escalation calls to work through key issues, and we expect significant movement before year-end.

2.3 Collection Rates

The following tables outline the current year to date and 2019/20 collection rates:

Collection summary 2019/20 v 2020/21

Value	Total 2019/20	Total 2020/21 – YTD
Invoiced (£m)	171	103.11
Collected (£m)	166.09	93.57
In Year Collection	97%	91%
Volume		
No. of invoices issued	68,929	42,731
No. of Invoices cleared	65,265	37,488
Collection Rate by volume	95%	88%

There is a 6% variance in the value from prior year to current year. There have been impacts on debt collection due to Covid-19, particularly as there was a decision to suspend recovery letters between 20/03/2020 and 01/07/2020.

Further analysis is required to ascertain the full impact of the pandemic. There are

assumptions that individual debtors financial situations may have been affected their ability to pay invoices, and further work is required to substantiate this.

Collection rates – April 2020 to 1 December 2020

Value	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20
Invoiced (£m)	10.69	3.83	20.59	8.55	18.07	12.16	20.38	8.84
Collected (£m)	9.97	3.59	19.72	7.17	17.08	11.54	17.84	6.69
In Year Collection	93%	94%	96%	84%	95%	95%	88%	76%
Volume								
No. of invoices issued	5,468	889	4,528	8,299	5,689	4,946	6,501	6,821
No. of Invoices cleared	4,975	828	4,034	7,628	5,065	4,722	5,531	5,370
In Year Collection Rate by volume	91%	93%	89%	92%	89%	95%	85%	79%

Collection % has dropped since September 2020, whilst we anticipate this is the mid-term effect of Covid-19 on customers, analysis is currently being performed to understand overall performance.

Collection rates – 2019/20

Value	Apr-19	May-19	Jun-19	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19	Jan-20	Feb-20	Mar-20
Invoiced (£m)	21.81	4.44	16.01	8.07	4.8	7.68	19.9	19.69	6.44	18.66	14.23	28.65
Collected (£m)	21.63	4.39	15.82	8.28	4.63	7.42	19.55	19.21	6.25	18	13.78	27.12
In Year Collection	99%	99%	99%	103%	96%	97%	98%	98%	97%	96%	97%	95%
Volume												
No. of invoices	4,998	5,383	7,477	5,492	4,291	4,946	4,601	6,857	4,375	9,070	6,293	5,146
No. of Invoices	4,842	5,241	7,241	5,234	4,103	4,722	4,373	6,444	4,138	8,380	5,874	4,673
Collection Rate by	97%	97%	97%	95%	96%	95%	95%	94%	95%	92%	93%	91%

2.4 Overall Debt movement

The following table outlines the movement in Debt since 1st March 2019 to date.

Overdue Debt £m							
	1-30 days	31-90 days	91-183 days	184-365 days	366-730 days	Over 730 days	Total
01/03/2019	12.01	2.72	3.05	4.97	3.63	1.77	28.15
01/10/2019	2.20	1.64	2.21	2.89	6.26	1.73	16.93
01/01/2020	12.22	2.42	2.19	2.6	5.53	1.88	26.84
01/04/2020	2.75	2.40	2.36	2.31	5.40	1.68	16.9
01/09/2020	2.43	3.19	4.50	3.20	3.47	4.59	21.38
01/12/2020	4.05	3.24	3.27	3.42	1.12	5.62	20.72
Movement	-7.96	0.52	0.22	-1.55	-2.51	3.85	-7.43

Whilst the debt has decreased by £7.43m, analysis is required to understand if this a result of debt recovery action or decreased invoicing.

2.5 Movement in unpaid invoices

The table below outlines the aged profile of debt from 1 March 2019 to 1 December 2020 and demonstrates that aged debt continues to be actioned.

	Not Yet Due £m	Overdue Debt £m						
Balance at	0 days	1-30 days	31-90 days	91-183 days	184-365 days	366-730 days	Over-730 days	Total
01/03/2019	7.38	12.01	2.72	3.05	4.97	3.63	1.77	35.53
01/10/2019	0.90	0.40	0.39	1.71	3.83	2.43	1.18	10.84
01/01/2020	0.51	0.26	0.33	1.54	3.60	2.30	1.04	9.58
01/09/2020	0.29	0.23	0.23	1.39	3.19	0.89	0.73	6.95
01/12/2020	0.24	0.20	0.22	1.09	3.17	0.51	0.68	6.11
Movement	-7.14	-11.81	-2.50	-1.96	-1.80	-3.12	-1.09	-29.42

2.6 Income Processing

The table below outlines the value and volume of unallocated income, where there has been a significant improvement since the service moved into Finance Operations in March 2019.

Value £m	Nov-19	Dec-19	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20
Income Suspense Account*	0.61	0.5	0.66	0.44	0.94	2.77	0.38	0.54	7.13	0.3	1.16	3.14	0.29
Direct Banking Suspense Account**	0.21	0.21	0.22	0.09	0.08	0.05	0.02	0.02	0.02	0.02	0.02	0.02	0.02
Total	0.82	0.71	0.88	0.53	1.02	2.82	0.40	0.56	7.15	0.32	1.18	3.16	0.31
Volume													
Income Suspense Account	403	347	383	247	275	274	154	139	135	112	129	117	108
Direct Banking Suspense Account	247	219	308	140	136	80	36	31	27	24	27	29	28
Total	650	566	691	387	411	354	190	170	162	136	156	146	136

* - Invoiced and non-invoiced Income received via BACs

** - Non-invoiced Income banked by services such as Libraries, transport, Registrars etc

3. Service Improvements

Since the service moved into Finance Operations team on the 1 December, there have been a number of areas identified for improvement.

3.1 Actions Implemented to date

There have been a number of actions implemented since the Management change, including:

3.1.1 Billing address accuracy

Following an initial review of customers, it was identified that a number of key customers billing addresses were incorrect, primarily local NHS Trusts who use Shared Business Services (SBS) as their service provider. The invoice addresses did not meet SBS business roles and were subsequently rejected (primarily where invoices were addressed directly to departments and not the central invoicing team). These records have subsequently been amended to the correct invoicing address. Further work is required in this area for the remainder of the customer base.

3.1.2 Review of granular data within aged creditors

Reports are being established where the granular data of the aged debtors is reviewed in detail and shared with Finance Business Partners. This report is a work in progress and provides transparency and key areas of risk and opportunity.

3.1.3 Engagement with Finance Business Partners and key Service Areas

Within Accounts Payable and Income, there are established Service Review meetings, which have successfully improved performance and reduced aged creditors and unallocated income. We held the first Service Review on the 7 January where the aged debt granular data was presented to Finance Business Partners. Key agenda items discussed are; overall debt position, top debts (Sundry and Adult Social Care) and proposed write offs.

The transparent sharing of data is essential to drive performance and working collaboratively with not only Finance but service areas should support the improvement of the current debt position.

Service Review meetings have been scheduled with Adult Social Care to ensure that all areas within the Debt cycle are working collaboratively. Aged Debt reports will be circulated to Adults Finance on a regular basis to ensure they have full visibility of their debt.

3.1.4 Workshops

To inform and support a robust service improvement plan a series of workshops will be held with key service areas, including Adults and Finance Business Partners. The workshop was held with Finance Business Partners on 8 January 2021, where 22 actions have been agreed to support the delivery of the Service Improvement Plan.

3.1.5 Review of resource and staff structures

It has been identified that the current staffing establishment is under resourced following structural changes in December 2019. This resulted in the Debt team being short of two full time equivalent staff that were originally budgeted in the structure. As an interim, a temporary resource will be recruited, until we are able to better understand resourcing requirements.

Since the team have been remote working we have lost the visibility of the team that an office presence gives. We are working with the CCC telephony team in IT to implement call reporting to enable effective management of in and outbound productivity, which we hope, will include log in and log out times. Until there has been scrutiny on performance, we are unable to fully define our resource requirements.

3.2 Future Service Improvements

As a result of the work we have completed in the first month, we have identified a number of improvements that we will continue to work to deliver and update in future committee meetings, these include:

3.2.1 Communication and reporting

We will be reviewing and improving how and what we communicate with requisitioners, budget managers, Finance Business Partners and the S151 officer to instil more preventative and proactive debt management practices. Improved web content will be published that will provide customers with the debt management journey, the responsibilities of key roles within the journey and key contacts. We will also be working with Finance Business Partners on targeted education of 'repeat offenders' (for example budget holders who are not obtaining a PO prior to raising an invoice).

We are assessing the effectiveness of the reporting we produce with the aim of providing more meaningful, granular data behind the headlines. The production of monthly reports will be aligned to the budget-monitoring schedule to better support finance managers.

Greater analysis of our data is required to identify trends earlier and any preventative measures to include, improved understand of issues by age, customer and value.

3.2.2 Performance

We are assessing performance to identify how we can better measure our success. Clarity is required to understand whether our month on month, year on year performance is better/worse because of the volume of invoices as opposed to values outstanding. We will be baselining performance based on a single division and monitor those transactions to track performance.

3.2.3 Billing accuracy

While we have performed a basic level of cleansing with the customer addresses, further cleansing of the customer database is required to reduce preventable issues.