

Debt Management Update

To: Audit and Accounts Committee

Meeting Date: 1 December 2023

From: Executive Director for Finance and Resources

Electoral division(s): All

Outcome: The Committee is updated on the Council's debt management performance and gains further understanding of challenges the level of overdue funds owed as adult social care client contributions. The report outlines the steps being taken to address the increases.

Recommendation: The Committee is asked to note the actions and approach being taken to manage income collection and debt recovery

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1. Background

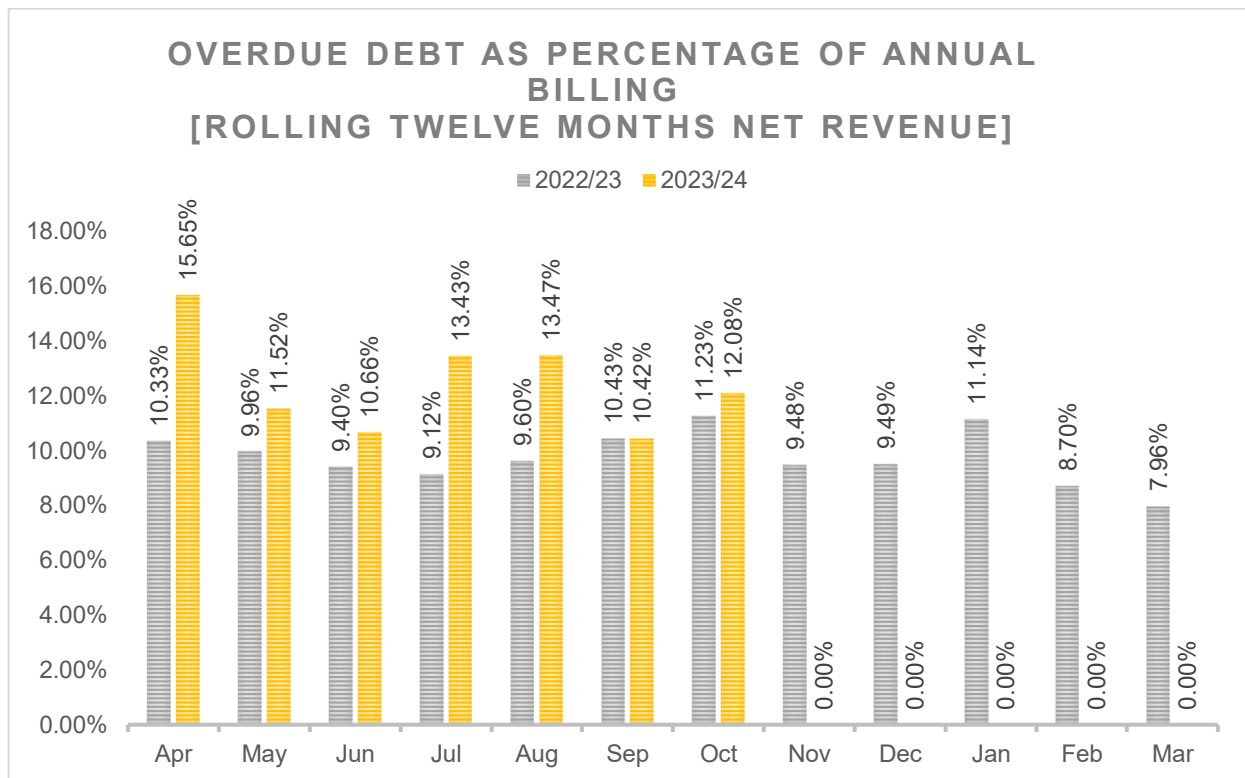
- 1.1 The purpose of this report is to provide an update on current debt management position following on from the previous report submitted to this committee in February 2023.
- 1.2 The balance sheet health metrics, that are reported in the Integrated Finance Monitoring Report at each meeting of the Strategy, Resources and Performance Committee record that there is a significant exception with the level of debt outstanding (91 days+) for Adult Social Care debt. Although metrics for percentage of income collected within 90 days is still meeting the target level, the absolute amount of overdue debt has risen by approximately £7m over the last 30 months. This reflects the rising levels of client contributions billed by the Council, due to inflationary effects, macro-economic issues (including the cost-of-living impacts on wider household finances), interacts with wider demand patterns and service issues facing the wider public sector as well as local developments specific to Cambridgeshire County Council.

2. Performance

2.1 Overall Debt position

- 2.1.1 The current total overall debt position is £29.8m, which represents an overall increase of £3.8m when comparing to the same period in 2022/23.

The below analysis shows that overdue debt now representing 12.08% of the revenue raised over the last twelve months, this is a raised position compared to 22/23 where overdue debt represented 11.23% of revenue.



Note:

- Increased billing in September of £30.5m compared to monthly average of £16.7m has led to an increase of £4.1m in debts just fallen due. The bulk of such debt should be collected during next couple of months. Excluding such debt, overdue percentage would be circa 10.5-11.5% similar to last year.

2.1.2 The tables below break down debt by Directorate and Debt Status:

Overall Age Debt Position - By Directorate

[Include monthly / Annual Trent Analysis - Movement on Overdue]

Directorate	Overdue			Trend Performance	
	Current Month	Previous Month	Last Year	Monthly	Yearly
Finance and Resources	£507,504	£520,363	£763,060	↑	↑
NHS Services	£5,693,195	£3,808,493	£7,020,506	↓	↑
Adults, Health & Commissioning	£18,843,256	£19,223,587	£15,199,443	→	↓
Children, Education & Families	£1,079,251	£2,223,315	£1,160,034	↑	↑
Place and Sustainability	£4,499,477	£4,634,538	£2,942,371	↑	↓
Public Health	£11,472	£11,472	-£80,546	→	↑
Strategy and Partnerships	£228,664	£112,848	£120,660	↓	↓
Unapplied	-£1,026,045	-£4,729,641	-£1,096,989	↑	↑
Grand Total	£29,836,775	£25,804,974	£26,028,538		

Key Insights:

- Year on Year reductions have been seen in the following Services:
 - £1.3m reduction in NHS 19%
 - £256K reduction in Finance & Resources circa 33%
 - £81k reduction in Children Education & Family 7%
- Year on Year Increases within the following Services:
 - £3.6m increase within Adults, Health & Commissioning which is across all age brackets (ASC Age Debt Analysis shown below in section 2.2)
 - £1.6m increase in Place & Sustainability, this position has improved in November.
 - £108K Increase in Strategy & Partnerships, which relates to two large invoices

2.2 ASC Age Debt Analysis

Overall Age Debt by - Debt Status

[Include monthly / Annual Trent Analysis - Movement on Overdue]

Debt Status	Current	1-30	31-90	91-183	184-365	366-730	730+	Grand Total	Overdue			Trend Performance	
									Current Month	Previous Month	Last Year	Mthly	Yrly
Automated Dunning Cycle	£77	£445,642	£404,243	£5,076	£6,186	£3,363	£0	£864,588	£864,511	£1,245,797	£4,018	↑	↓
Awaiting Appointee / Court of Protection / Power of Attorney	£292,936	£232,134	£484,587	£859,005	£1,261,750	£1,526,364	£583,213	£5,239,989	£4,947,053	£4,649,074	£3,029,374	↓	↓
Awaiting Service Response	£52,053	£77,441	£202,215	£465,903	£448,598	£792,446	£396,389	£2,435,044	£2,382,991	£2,236,938	£1,238,106	↓	↓
DCA Action - Ongoing	£0	£0	£0	£0	£0	£5,709	£29,498	£35,207	£35,207	£42,877	£0	↑	→
Debt Team Dealing	£0	£20,601	£538,027	£621,624	£496,030	£402,924	£392,785	£2,471,991	£2,471,991	£2,287,216	£4,881,419	↓	↑
Deceased - Pending Probate / Settlement of Account	£166,534	£140,992	£327,615	£874,818	£1,078,046	£1,332,139	£1,703,989	£5,624,132	£5,457,598	£5,480,993	£4,183,939	→	↓
Full Cost Non-Disclosure	£0	£0	£12,659	£27,331	£32,929	£100,253	£117,767	£290,940	£290,940	£290,940	£153,620	→	↓
Income Team Dealing	-£69,301	-£74,707	£122,507	£225,827	£216,574	£281,664	£39,912	£742,474	£811,776	£1,315,695	£249,098	↑	↓
Legal Action - Ongoing	£0	£0	£3,922	£14,598	£27,633	£48,713	£365,346	£460,211	£460,211	£460,211	£381,918	→	↓
Payment Plan	£1,171	£2,179	£12,496	£36,255	£60,935	£117,348	£334,878	£565,262	£564,091	£564,798	£515,446	→	↓
Pending Write-off	£0	£2,615	£3,004	£5,748	£3,581	£17,686	£97,697	£130,332	£130,332	£110,042	£173,969	↓	↑
Pre-Dunning Cycle	£3,044,093	£277,148	£2,011	£0	£0	£0	£0	£3,323,251	£279,158	£391,610	£0	↑	→
Secured Property Charge	£0	£0	£0	£0	£2,428	£10,827	£134,141	£147,396	£147,396	£147,396	£388,536	→	↑
Grand Total	£3,487,561	£1,124,044	£2,113,285	£3,136,186	£3,634,690	£4,639,436	£4,195,615	£22,330,817	£18,843,256	£19,223,587	£15,199,443		

Key Highlights

ASC has seen a £3.6m increase over the last twelve months across all age brackets, with £1.9m relating to aged debts that are more than a year old. In the main the increase is across four key areas as shown below:

- £1.9m increase in debts awaiting Court of Protection (COP) decisions – These debts are where Service Users have lost capacity to manage their financial affairs and applications are made to the COP for a family member, Advocate or the council through Client Funds to take over responsibility for property and affairs decisions. The Council has seen a significant increase in the time that such applications are completed from 16 weeks to 9 months or more. This problem is not specific to the Council and is a national problem.

- £1.1m increase in debts requiring support from ASC – Due to the vulnerable nature of the customer base these debts can be quite complex in some cases. Debts are likely to be overstated where customer is initially assessed as 'Full Cost' and then reassessed (as a result of a change in circumstances or where a customer had not previously engaged with the Councils financial assessment process) resulting in a lower contribution and therefore a reduction in debt.
- £563k increase in respect of queries being managed by the Income Team, where investigations are ongoing in respect of customers who have advised payment has been made. Payment allocation difficulties can be caused where customer do not provide enough details of the service they are paying for.

2.3 Collection Rates

Collection rate for 2022/23 shows that 96% of all revenue billed has been collected as shown in the below table with 90% being secured within the first 90 days.

The table below shows the in-year collection performance for 2022/23:

				Income Collected [£]	Performance - % Collected
Financial Year	Period	Number of Invoices	Invoiced Amount	Total to Date	Total to Date
2022/23	Apr-22	5,795	23,024,638	22,480,715	98%
	May-22	4,974	14,424,471	13,781,916	96%
	Jun-22	6,724	20,970,629	20,126,958	96%
	Jul-22	6,407	11,809,621	11,081,139	94%
	Aug-22	7,159	17,035,501	16,392,677	96%
	Sep-22	5,013	21,440,314	20,916,593	98%
	Oct-22	7,291	14,129,365	13,256,617	94%
	Nov-22	5,646	17,842,565	16,980,377	95%
	Dec-22	5,468	16,678,268	16,139,860	97%
	Jan-23	6,605	9,735,727	8,966,513	92%
	Feb-23	5,519	22,965,718	22,273,302	97%
	Mar-23	6,864	62,883,658	61,616,135	98%

Collection rate for the first two quarters of 2023/24 shows a collection performance of 81%, collection performance will continue to improve over the coming period.

The table below shows the in-year collection performance for 2023/24:

				Income Collected [£]	Performance - % Collected
Financial Year	Period	Number of Invoices	Invoiced Amount	Total to Date	Total to Date
2023/24	Apr-23	5,757	12,778,814	11,592,033	91%
	May-23	7,331	12,167,109	10,554,333	87%
	Jun-23	7,329	18,128,767	16,159,971	89%
	Jul-23	5,692	18,772,442	15,156,400	81%
	Aug-23	7,429	10,372,652	7,602,416	73%
	Sep-23	7,286	31,143,628	20,712,406	67%
	Oct-23	5,966	13,613,527	1,397,173	10%

Recovery actions taken by the Debt Team to secure payment during the 2022/23 kept write-offs relatively low at £1.2m, which represents 0.47% of total revenue raised during the same period which totalled £231.7m, and write-offs for 2023/24 currently represents £334k 0.29% of year-to-date revenue of £117m.

3. Service Improvements

Through the business planning process, the Corporate Leadership Team commissioned a Deep Dive on Adult Social Care Debt and Client Contributions. This has resulted in a Debt Management Improvement Plan with initiatives assigned to the Corporate Finance Operations Service as well as Adult Social Care teams, particularly Financial Assessments.

This is in addition to previously reported Debt Service Improvement Plan, where work continues to deliver operational improvements.

3.1 Actions since last reporting period:

3.1.1 Adult Social Care Debt and Client Contributions Deep Dive

The Audit & Accounts Committee alongside the former Strategy & Resources Committee identified that the substantial increase of the Council's debt since the pandemic has led to a significant pressure on the Council's Finances and urgent action is needed to stem and redress this position.

The Corporate Leadership Team have reviewed a deep dive of the escalating debt position and approved a 12-month change project to improve collection, strategy, process and operations, as well as target a £1 million reduction in the bad debt provision. This project will be monitored by CLT and Committee.

Improvements in the following areas have been identified:

3.1.2. Financial Assessments

Reduce backlogs through service improvement actions, which will support a reduction in debt and improved income collection.

Implement operational deep dives to review process and technology for improvements to efficiency and effectiveness.

Continue to recruit to reach full establishment, with two new starters in August, and one further role to recruit to.

3.1.3 Improve digitalisation

Implement an online Portal within Financial Assessments to improve efficiency and possible automation.

Explore the use of Mosaic as core billing system or improved interfaces, which will require a full review of business processes and any operational risks from such a change.

Channel shift customers to preferred methods of payment where Direct Debit would be the most effective method of payment.

Increase paperless billing and reminders to improve customer experience and reduce operational costs through better use of technology.

3.1.4 Debt Team

Perform a review of the current operating target model, identifying and implementing improvements that will increase revenue streams for the council. Work has already commenced with the recruitment of a Strategic Exchequer Manager which came into effect on the 6 November 2023.

This role will oversee the Debt team, the Deep Dive and implement key improvement activity, including:

- Lead the provision of sound income collection and recovery strategies and technical guidance, both internal to and external to Financial Operations and develop effective relationships with appropriate national bodies and other local authorities, to inform and enhance the quality of the work of the post-holder's team.
- Work collaboratively with other service areas, on projects and programmes that support developments/improvements for the Debt and Income Service in a professional and positive way. To facilitate the execution of the Council's Use of Resources and Value for Money strategies by providing Income and recovery support, analysis, and interpretation.
- Ensuring that the service delivers long-term positive outcomes locally for people and communities. Build and promote successful partnership working across all sectors and with service users to deliver more cost effective and valued services. Ensuring that the needs of service users are met by demonstrating behaviour which fosters equality of opportunity in service provision and employment.

The Deep Dive will be run as a formal project with senior sponsorship by an Executive Director. Standard project governance will be adopted. A high-level update on progress will be provided at future meetings.

3.1.5 Reduction in invoices sent via post

Further works continues to reduce the volume of invoices sent out via post. Volumes have reduced by a further 8.52%, compared to the last reporting period, with Adult Social Care reducing by 4.75%. Work will continue to continually improve the take up of emailed invoices, where Adults Finance Teams are proactively working to obtain email addresses where contact is made with customers.

Percentage of invoices printed and posted percentages by Customer Group.

	Nov-21	Jan-23	Nov -23
Commercial	43.23%	22.53%	16.93%
County Farms	79.79%	26.42%	13.39%
Individuals	75.40%	55.12%	43.58%
Managed Schools	42.57%	0.61%	0.00%
Adult Social Care	86.27%	81.87%	77.12%
All	76.79%	67.93%	59.41%

3.1.6 Income Management System

The new Income Management System (HeyCentric) was implemented by our Business System Colleagues in March 2023. The solution has delivered marginal resource savings, which will be fully realised once HeyCentric is rolled out to all of our Shared Service Partners (with North Northamptonshire the last to go live in January 2024).

This was a significant project impacting all payment channels accepted by the council and has been rolled out to CCC and West Northamptonshire Councils to date.

3.1.7 Additional training Professional support for Debt Officers

Training was delivered by an external organisation in March and April 2023 to our staff with regards to managing complex and challenging calls from customers. Following detailed feedback from the training we have worked collaboratively with our Wellbeing, Learning and Development and ASC

Customer Complaints Team to develop a follow up more detailed training session which is being delivered between November 2023 and January 2024.