

## Debt Management Update

To: Audit and Accounts Committee

Meeting Date: 22<sup>nd</sup> July 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

The purpose of this report is to provide an update on current Debt position following on from the previous report submitted in January 2021.

## 2. Performance

### 2.1 Overall Debt position

The current debt position (excluding Cambridge and Peterborough CCG) is £16.60m. In the last Audit Committee, the debt reported was £16.96m, an improvement of £360k.

The table below breaks 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
Corporate Services	£1,898,636	£4,465,256		↑	
NHS Cambs and Pboro CCG	£5,683,450	£5,725,741		→	
People & Communities - ASC	£11,564,091	£11,599,721		→	
People & Communities - C&CS	£58,841	£106,066		↑	
People & Communities - CYP	£561,957	£605,151		↑	
People & Communities - EDUC	£649,766	£722,167		↑	
Place & Economy	£3,163,569	£3,992,821		↑	
Public Health	£6,082	£2,343,365		↑	
Unapplied	£1,303,085	£853,494		↓	
LGSS Law					
Grand Total	£22,283,307	£24,020,064	£26,803,144	↑	↑

#### Overall Age Debt by - Debt Status

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

Debt Status	OverDue			Trend Performance	
	Current Month	Previous Month	Last Year	Monthly	Yearly
Automated Dunning Cycle	£1,334,252	£13,586,353		↑	
Awaiting Appointee / Court of Protection / Power of Attorney	£1,226,039	£1,155,686		↓	
Awaiting Service Response	£7,059,218	£4,549,390		↓	
DCA Action - Ongoing	£12,400	£55,012		↑	
Debt Team Dealing	£1,091,539	£1,094,951		→	
Deceased - Pending Probate / Settlement of Account	£3,324,194	£3,312,473		→	
Income Team Dealing	£796,101	£781,234		→	
Legal Action - Ongoing	£626,120	£647,873		↑	
Payment Plan	£1,140,352	£1,054,169		↓	
Pending Write-off	£242,964	£107,121		↓	
Pre Dunning Cycle / Unallocated Cash	£5,207,773	£2,546,834		↑	
Secured Property Charge	£214,480	£214,580		→	
Unapplied Credit	£8,055	£8,055		→	
Grand Total	£22,283,489	£24,020,064	£26,803,144	↑	↑

Please note that this table is in line with our new reporting pack implemented in April 2021, therefore we are only able to provide a comparison to the total debt last year. This pack is distributed to Finance Business Partners and Senior Management within Cambridgeshire County Council.

## 2.2 CCG Update

The current outstanding debt with the CCG is approximately £5.6m, which is similar to the level reported previously to committee.

Most of this debt relates to previous financial years, predominantly for two types of income:

- Funded Nursing Care (FNC) payments – for a number of years up to 2018/19, the Council paid FNC payments to nursing homes on the CCG's behalf with the Council later being reimbursed
- NHS contributions towards care, either split-funded health and social care or fully NHS-funded continuing healthcare back-dated to an initial assessment

Work has been ongoing for several months with the CCG to reconcile payments owed, and to put in place operational procedures that will aim to avoid an escalating debt situation in future. We expect this financial year to finalise the debt reconciliation process with the CCG to enable the historic debt to be cleared as part of a negotiated settlement. The CCG made a substantial payment in 2020/21 as part of the settlement of this debt, but until the overall debt position is reconciled between the organisations this money cannot be allocated to specific invoices to reduce the debt position. There remain regular escalation calls with senior managers in both organisations to ensure progress is being made.

## 2.3 Collection Rates

The table below shows the in-year collection performance for 2020/21:

Value	2020-21 Qtr 1	2020-21 Qtr 2	2020-21 Qtr 3	2020-21 Qtr 4
Invoiced (£m)	35.11	38.79	45.84	57.87
Collected (£m)	34.04	36.99	43.59	53.04
In Year Collection	97%	95%	95%	92%
Volume				
No. of invoices issued	10,885	18,522	16,411	18,996
No. of invoices cleared	10,183	17,364	15,105	17,329
Collection Rate	94%	94%	92%	91%

Value	2021-22 Qtr 1
Invoiced (£m)	50.39
Collected (£m)	32.49
In Year Collection	64%
Volume	
No. of invoices issued	18,107
No. of invoices cleared	14,348
Collect Rate	79%

The above collection rates show that performance in terms of revenue secured remains high with in excess of 90% being secured for each quarter during 2020/21. The reduction in later months is attributed to reduced timeframe that the Debt Team has had to secure payment following query / dispute resolution, these figures will increase over the proceeding period through further recovery action.

As a result of continued recover actions taken by the Debt Team to secure payment write-offs were extremely low during 2020/21 totalling at £300k which represents just 0.17% of the revenue raised during the same period which totalled £236.7m.

Our 24-point service improvement plan will support further improvements in collection rates.

## 2.6 Income Processing

The table below outlines the income processing performance:

	<b>Apr</b>	<b>May</b>	<b>Jun</b>	<b>Q1</b>
<b>Target</b>	95.0%	95.0%	95.0%	95.0%
Total volume of income transactions received	2,501	1,636	2,803	6,940
Total volume of income transactions allocated	2,324	1,463	2,546	6,333
<b>Number allocated within 7 calendar days</b>	<b>2,247</b>	<b>1,401</b>	<b>2,468</b>	<b>6,116</b>
<b>Allocation Rate - % allocated within 7 calendar days</b>	<b>96.7%</b>	<b>95.8%</b>	<b>96.9%</b>	<b>96.6%</b>

Our KPI for income allocation is that 95% of income is allocated within seven calendar days. Current performance is exceeding the KPI.

## 3. Service Improvements

Debt management has now been within Finance Operations for six months, and during this period service improvement continue to be implemented. A 24-point Service Improvement Plan has been developed, which focuses on people, process and technology. The purpose of this plan is to implement sustained improvements that will bring stability and enhancement to continually improve the debt position. It should be noted that this is not a quick solution and will take a year to fully embed and implement.

### 3.1 Improvements implemented since last reporting period:

#### 3.1.1 Improved Debt Reporting Pack

A new debt report was developed in March 2021, and rolled out in April 2021, which provided a more detailed level of reporting, including a comparison between aged debt, billing and collection rates. Included in the report is divisional debt levels alongside debt categories. This enables focus on key areas within the debt process and concentrated work with divisions.

Whilst the report is in its infancy it allows monitoring of trends and comparison against industry standards. This report is circulated to Finance Business Partners and a revised version is sent to Adult Social Care Leads.

Monthly age debt information is also sent out to budget managers through close working with the Finance Business Partners.

### 3.1.2 Implementation of debt portfolios

There was limited ability to monitor the performance and success of the debt team officers, as a result enhanced debt portfolios will be implemented by the 1<sup>st</sup> August 2021, these are currently being piloted in West Northamptonshire Council Debt Team, our Partner organisation.

The portfolios will enable monitoring of both team and individual performance and provide management information to enable targeted action. This will also over time provide statistics to support the impact of debt recovery based on activity types, such as phone calls, emails and letters to customer.

### 3.1.3 Adult Social Care Debt Improvement Group (Ongoing)

An Adult Social Care Debt Improvement Group has been introduced, and the first meeting was held in June. Key actions of this group are:

- Distribution of 'soft letters' and statements of accounts to customers. This will be circulated during July. The purpose of these letters are to gently remind the customers of their overdue debt
- Adult Social Care Finance staff having the ability to take payments to improve the customer experience
- End to end process review

### 3.1.4 Communication and Stakeholder Engagement

Service Review meetings continue with both Finance Business Partners and Adult Social Care to review and discuss the aged debt. These meetings continue to develop and support the Service Improvement Plan.

We are working closely with Finance Business Partners to communicate with budget managers the importance of accurate billing and support in the debt recovery process. Monthly communication is sent with key messages from Finance Operations as part of the finance monitoring process.

## 3.2 Future Improvements

With the 24 points Service Improvement Plan there are a number of improvements that have been identified to improve performance which will maximise the resources available and deliver improved debt collection performance.

### 3.2.1 System Improvements

There are a number of system improvements required to improve efficiency to the Debt team and service areas, including:

- Complaint codes to be inserted at customer account level rather than invoice level. This is currently a resource intensive process, but intrinsic to debt reporting. Discussions are under way with our Business Systems colleagues to support this requirement.
- Review of the Dunning Cycle. Currently the Dunning Cycle (reminder letters and letter before action), are run at invoice level, and the customer does not see the full value of the debt owed, and only see the invoice outstanding. This can cause confusion for the customer as they are not seeing the full picture for the amount they owe to the Council. Therefore, the team are currently scoping out a change request to enable statement style reminders to be circulated to customers.
- The write off process is now driven through workflows rather than the previous manual process, with approval in line with the limits set in the Council's scheme of delegation.
- Improve self-service for the Debt Team by providing system access to view accounts payable remittance advices to support inter Partner debt.
- Improve self-service for the Adults Finance Team by providing access to remittance advices to service users and the ability to distribute copy invoices

### 3.2.2 Billing accuracy

Work continues to improve the accuracy of the billing. It is essential that invoices are sent to the correct address, adhere to the recipient's protocols and the narrative clearly defines what the invoice is for:

- Work continues to cleanse the customer database to ensure invoices are being sent to the correct contact address
- Removal of duplicate customers on the system
- Further work is required on the accuracy of billing in the service areas, to reduce invoice adjustments and assist with the recovery process through a right first time approach.
- Budget managers continue to be encouraged to obtain a purchase order when raising their invoice. Many organisations operate a no purchase order, no pay policy, and it is important that behaviours in raising invoices support this. Work continues with Finance Business Partners to communicate this message.

### 3.2.3 Policies and procedures

There are a number of improvements required to simplify some of our policies and procedures, to include:

- Simplified income strategy, to include:
  - Debt Code of Practice
  - Key principals in respect of bad debt write off
  - Payment plan principals
  - Roles and Responsibilities within the debt process.
  - Internal service level agreements in respect of the resolution of queries and disputes