

Debt Management Update Report for October 24

To: Audit and Accounts Committee

Meeting Date: 31 October 2024

From: Executive Director of Finance and Resources

Electoral division(s): All

Key decision: No

Forward Plan ref: Not applicable

Executive Summary: The Committee is updated on the Council's debt management performance and gains further understanding of challenges to 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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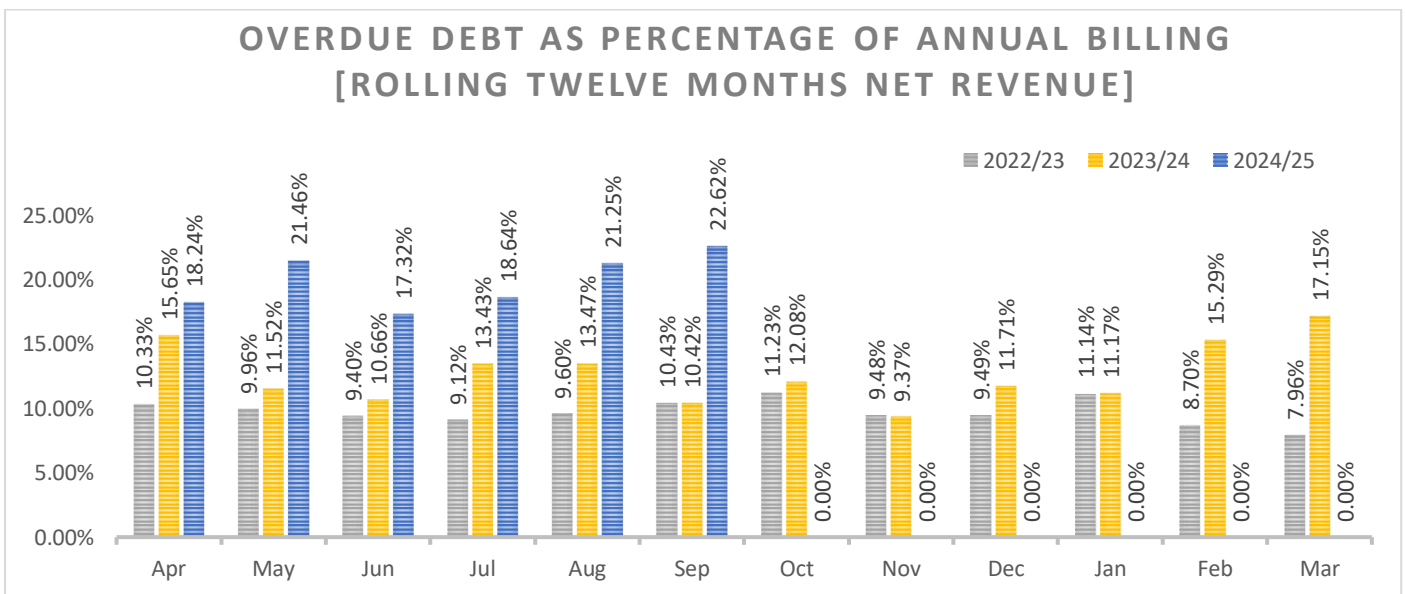
1. Background

- 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 December 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 (client contributions to care costs). 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 £2.4m over the last 12 months. This reflects the rising levels of client contributions billed by the Council from £45.9m (2022/23) to £52.5m (2023/24), and £31.4m during the first half of 2024/25.
- 1.3 It is positive that overall more income is being collected due to increases in billing, however a part of the increase relates to retrospective back dated charges as a result of clients being charged a provisional amount for an extended period of time. This follows significant progress with reducing the backlog of financial assessments over the last 18 months. Delayed billing can lead to debt building for clients, which can prove more difficult to collect, especially where clients have become used to paying a lower provisional charge over a prolonged period, or where charges are billed a significant period after death and the estate has been distributed.

2. Overall Debt position

- 2.1 The current total overall debt position (all age buckets) is £26.3m (excluding NHS ICB debt), which represents an overall increase of £4.3m when comparing to the same period in 2023/24.

The below analysis shows that overdue debt now representing 22.6% of the revenue raised over the last twelve months, this is a raised position compared to 2022/23.



The main areas impacting the current position are: -

- Significant increase in Integrated Care Board (ICB) debts which stood at £28m on 1 October compared to £3.8m at the same point in 2023/24. During October, payments of £16.6m have been secured, which is welcomed, and reduces the ICB debt balance to £11.4m.
- Increased ASC debt billing of £6.6m in 2023/24 and a further £5.6m in the first half of 2024/25. £10.1m over the same 18-month period relates to back dated charges, with some charges back dating by more than a year. Such debts become increasingly difficult to collect

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

Overall Age Debt Position - By Directorate

Directorate	Overdue			Trend Performance	
	Current Month	Previous Month	Last Year	Monthly	Yearly
Finance and Resources	£983,277	£1,170,528	£520,363	↑	↓
Adults, Health & Commissioning	£21,633,031	£22,278,042	£19,223,587	↑	↓
Children, Education & Families	£1,527,377	£1,714,749	£2,223,315	↑	↑
Place and Sustainability	£3,217,650	£3,658,097	£4,634,538	↑	↑
Public Health	£6,840	£22,707	£11,472	↑	↑
Strategy and Partnerships	£187,406	£229,214	£112,848	↑	↓
Unapplied	-£1,209,269	-£1,452,804	-£4,729,641	↑	↑
Total	£26,346,312	£27,620,532	£21,996,481		
NHS Services	£27,984,961	£27,810,184	£3,808,493	→	↓
Total	£54,331,273	£55,430,717	£25,804,974		

2.2.1 Year on Year reductions have been seen in the following Services:

- £1.4m Place & Sustainability
- £696k reduction in Children Education & Family
- £5k Public Health

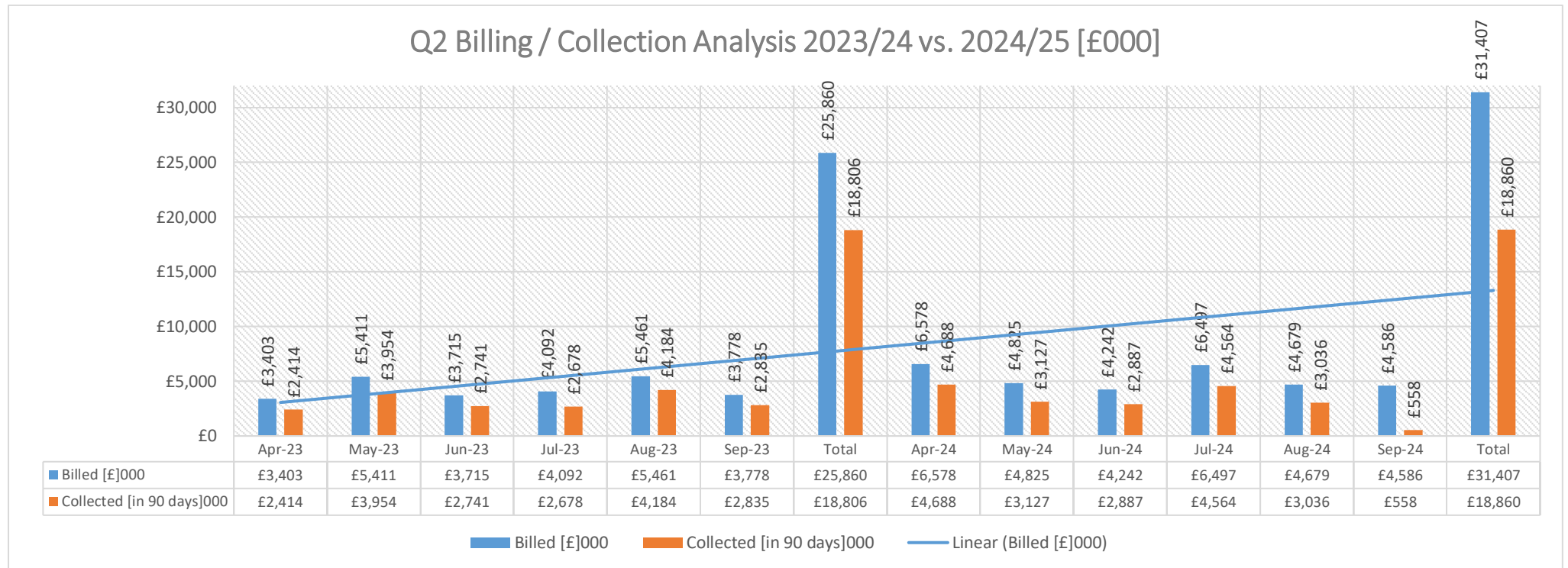
2.2.3 Year on Year Increases within the following Services:

- £24.2m NHS / ICB Services. (The Council and ICB are changing their commissioning approach to learning disability services moving away from a pooled budget in 2025. A disputed position about the level of healthcare funding required has meant that payment of all learning disability partnership invoices were paused by the ICB for a period).
- £2.4m within Adults, Health & Commissioning (ASC Age Debt Analysis shown below in section 2.3)
- £463k in Finance & Resources
- £75k Strategy & Partnerships

2.3 ASC Age Debt Analysis – Headlines

- ASC Debt increase has slowed, and age debt (debts six months) have started to reduce over the last two months by circa £868k, as a result of improvements implemented.
- Revenue raised is higher than 2023/24 forecast which is positive from an income perspective but has resulted in increased debt where payment not fully collected.
- Backlog in Financial Assessments has been reduced and is moving towards business-as-usual levels.
- Wide ranging process improvements have been identified and implemented or in the process of being implemented.
- Improved staff performance within Debt Team, which has significantly increased number of accounts actioned from average of 1,070 in last half of 2023/24 to 1,701 average in 2024/25, with September 24 peak of over 2,000.
- Digitalisation advances considered and several options have been identified and progressed such as Paperless Direct Debits, SMS reminders.
- Increased resources have been funded and are either in place or currently being recruited
- Increase in use of third-party services to support recovery process have been procured and are being embedded
- Increase training, support and guidance across teams (Debt, Financial Assessment and Practice).
- Improved communication and workflow tracking due to be implemented between Adults Finance Team & Debt Team during October 2024, following successful testing during September 2024.
- Issues identified and improved processes being implemented to better manage Court of Protection debts within both Adult Social Care and the Debt team, which should have a positive impact on related debt.

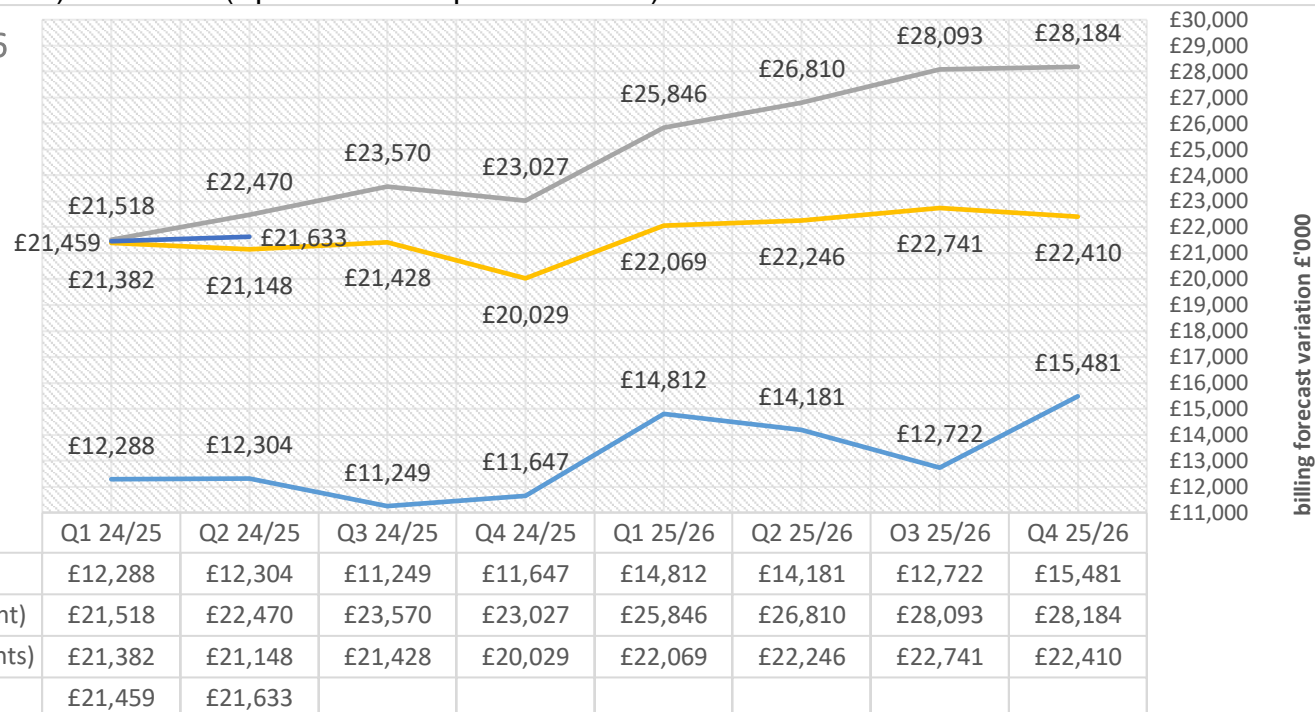
2.4 ASC Debt – Billing & Collection Analysis Q1 & Q2 2023/24 vs. 2024/25



- Comparing Q1 & Q2 Billing across the last two years has shown that billing has increased by £5.5m in 2024/25 compared to the previous financial year from £25.9m to £31.4m as shown above.
- The amount collected within 90 days (60 days of due date) over Q1 has also increased by £1.6m, however the increase in collection is impacted as a percentage is down 4%:
 - £2.7m billed in Q1 of 2024/25 relates to retrospective billing compared with £1.5m in 2023/24, which is an increase of £1.2m, and further analysis has shown that this type of billing is harder to collect and as a result performance for these debts are less than two thirds compared to normal monthly billing after 12 months.
- Billing volume during 2024/25 Q1 & Q2 has also increased by 2,472 invoices average monthly increase of 412, the bulk of increases is within the Older People's Services.

2.5 ASC Debt – Debt Forecast (April 24 – March 26) vs. Actual (April 2024 – September 2024)

Age Debt Forecast vs Actual 2024/25 & 2025/26
(including billing variation to forecasted billing)



2.5.1 Finance modelling has been undertaken to forecast the revenue through 2024/25 & 2025/26, which shows an upward trajectory in respect of income generated through billing compared to previous billing in 2023/24

- 2023/24 – Actual billed revenue £52.5m (£44.6m care fees)
- 2024/25 – Forecasted billing revenue £55.4m (£47.5m care fees), representing a £2.9m increase from 2023/24. Actual billing P1-P5 was £3.5m up on forecast.
- 2025/26 – Forecasted billing revenue £65.2m (£57.2m care fees), representing an increase of £9.8m increase over 2024/25.

2.5.2 Debt Forecast has been modelled taking into consideration the increased income as well as expect impact in respect of performance.

- Debt Forecast shows that Debt levels would be circa £28.2m based on increase revenue if normal levels of recovery were achieved, increase of £7.7m from April 2024.
- Debt Forecast with improvements in ASC Service & Debt Team reduce the expected balance in March 2026 to £22.4m which represents an increase of £900k over two years, against the backdrop of £15.6m more being raised, representing circa 94% collection on the additional income, and improving significantly the Debt vs. twelve months billing ratio.

2.6 ASC Overall Age Debt by - Debt Status £'000

Debt Status	1-30	31-90	91-183	184-365	366-730	730+	Grand Total	Overdue		
								Current Month	Previous Month	Last Year
Automated Dunning Cycle	£343	£347	£1	£0	£0	£0	£691	£691	£1,231	£1,246
Awaiting Appointee / Court of Protection / Power of Attorney	£358	£1,174	£1,001	£1,024	£1,241	£550	£5,719	£5,348	£5,175	£4,649
Awaiting Service Response	£257	£550	£630	£689	£422	£539	£3,262	£3,087	£2,846	£2,237
DCA Action - Ongoing	£2	£2	£6	£25	£29	£85	£149	£149	£151	£43
Debt Team Dealing	£108	£277	£515	£406	£505	£479	£2,302	£2,291	£2,212	£2,287
Deceased - Pending Probate / Settlement of Account	£111	£409	£825	£1,027	£1,435	£2,060	£6,021	£5,867	£6,203	£5,481
Formal Complaint	£6	£50	£36	£8	£15	£146	£270	£262	£226	Not Reported
Full Cost Non-Disclosure	£0	£0	£16	£24	£20	£0	£60	£60	£60	£291
Funding without Prejudice	£0	£8	£0	£0	£0	£0	£8	£8	£8	Not Reported
Income Team Dealing	£91	£124	£252	£145	£259	£213	£1,172	£1,083	£1,149	£1,513
Legal Action - Ongoing	£13	£37	£55	£110	£209	£905	£1,343	£1,329	£1,306	£460
Payment Plan	£28	£41	£123	£144	£129	£207	£677	£672	£618	£565
Pending Write-off	£0	£0	£11	£36	£49	£117	£214	£214	£295	£110
Pre-Dunning Cycle	£257	£12	£0	£0	£0	£0	£3,418	£269	£384	£392
Secured Property Charge	£0	£0	£335	£7	£51	£25	£418	£418	£535	£147
Unapplied Credit	-£12	-£13	-£7	-£10	-£4	-£69	-£164	-£116	-£122	-£197
Grand Total	£1,562	£3,019	£3,801	£3,635	£4,359	£5,257	£25,561	£21,633	£22,278	£19,224

2.6.1 ASC has seen a £2.4m increase over the last twelve months across all age brackets, with £636k in aged debts (6+ months) and £1.8m in debts that are in age brackets of less than 6 months. Over the same period the level of Income generated through billing for ASC has been increased by £8m (Oct22-Sept23 = £50.1m vs. Oct23-Sept24 = £58.1m), representing increased income collection of circa £5.6m.

- £1m increase in debts allocated to our solicitors or an external debt collection partner. The increase in this category of debt is following work undertaken by Debt Team to progress more quickly once internal recovery actions have been exhausted.
- £850k increase in debts requiring support from ASC – Due to the vulnerable nature of the customer base these debts can be quite complex.
- £700k 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. Debts within this category can take a significant period of time before there is

someone appointed through the Courts or DWP. There is material level of debt in this category which is likely to be overstated as the client has been assessed as full cost until their finances can be assessed.

- £386k increase within Deceased Debts which has been impacted in the main by the clearing of Financial Assessment backlogs over the last 18 months, again there is a level of debt overstatement within this category as well as a raised likelihood of bad debt write-offs where retrospective billing may have occurred.
- £270k Increase in Secured Property related debt, where clients have passed away and the deferred payment agreement, they had with the council has ceased. These debts are secured but will take a period of time before funds are realised pending probate and subsequent sale of property.
- £868k reduction has been seen in aged debts, those older than six months over the last two months as improvements implemented start to impact.

2.7 Collection Rates

2023/24 – Collection Performance

2.7.1 Collection rate for 2023/24 shows that 92.5% of all revenue billed has been collected as shown in the below table with 83% being secured within the first 90 days, performance would have been higher if not for the disputed ICB charges during 2023/24, which have continued into 2024/25.

Combined 90 Day Performance

Financial Year	Period	No. of Invoices	Invoiced Amount'000	Income Collected [£]			Performance - % Collected		
				3 Months	6 Months	Total to Date	3 Months	6 Months	Total to Date
2023/24	Apr-23	5,757	£12,779	£10,746	£11,379	£12,442	84.1%	89.0%	97.4%
	May-23	7,331	£12,167	£10,270	£10,860	£11,494	84.4%	89.3%	94.5%
	Jun-23	7,329	£18,129	£16,721	£17,080	£17,583	92.2%	94.2%	97.0%
	Jul-23	5,692	£18,772	£14,525	£17,080	£18,304	77.4%	91.0%	97.5%
	Aug-23	7,429	£10,373	£7,752	£8,990	£9,609	74.7%	86.7%	92.6%
	Sep-23	7,286	£31,144	£28,324	£28,832	£29,864	90.9%	92.6%	95.9%
	Oct-23	5,966	£13,614	£11,749	£12,237	£12,810	86.3%	89.9%	94.1%
	Nov-23	7,739	£19,554	£17,162	£17,790	£18,833	87.8%	91.0%	96.3%
	Dec-23	5,783	£15,277	£11,629	£12,985	£13,598	76.1%	85.0%	89.0%
	Jan-24	5,696	£28,708	£20,434	£20,736	£20,976	71.2%	72.2%	73.1%
	Feb-24	8,001	£21,928	£18,253	£19,218	£20,852	83.2%	87.6%	95.1%
	Mar-24	5,633	£33,619	£27,966	£31,903	£32,094	83.2%	94.9%	95.5%
		79,642	£236,063	£195,532	£209,090	£218,460	82.8%	88.6%	92.5%

2024/25 – Collection Performance

2.7.2 Collection rate for the first quarter of 2024/25 is currently at 75%, which is suppressed by £8.3m of NHS / ICB charges raised during the same period, excluding the performance would be 91%. This position will be improved once the NHS income received in October is applied.

2.7.3 Improvements implemented in late 2023/24 in respect of staff performance is ensuring that debts are actioned promptly, with monthly accounts actioned during the first half of 2024/25 averaging at 1,701 accounts compared to 1,070 in the last half of 2023/24. September 2024 saw a peak achieved of over 2,000 actions.

2.8 Improvements Implemented / In Progress

2.8.1 The improvement work in this area is overseen by a project board co-chaired by the Service Director: Finance and Procurement and the Service Director: Adult Social Care. Actions have been assigned to both Debt and Adult Social Care teams.

Systems & Digital	
<ul style="list-style-type: none"> • New Call Management System implemented for Debt Team • HALO communication / workflow system put in place between AFT & Debt. • SMS Reminder system being procured / implemented • Paperless Direct Debit Solution being procured / implemented • Increased E-Billing 	<ul style="list-style-type: none"> • Improved Call management • Better Customer Experience • Reduced complaints • Improved internal communication / workflow between teams • Improved cashflow and reduction in debt levels. • Reduction in postal and print costs • Reduced carbon footprint • Printed percentage reduced from 77%(Nov21) to 60% (Sept 2024)
Improved Team Management	
<ul style="list-style-type: none"> • Portfolio changes & Team Performance • Improved Team Guidance in place within the Debt Team, with staff training provided • Enhanced reporting by category / sub-category (further granularity) in place to better track / understand debt. • Changes in Financial Assessment Process, maximising resource and improving productivity. 	<ul style="list-style-type: none"> • Raised Team performance, increase in actions from monthly average of 1,070 to 1,701 (59% improvement) • More consistent approach and one that looks to achieve outcome or move to the next stage of recovery sooner. • Improved more granular debt data which facilitates next recovery actions and where debt is in a process outside of the council's immediate control (Probate, Court of Protection, Property Sale etc...) • Maximising revenue through more timely and increased billing. • Reduction in Financial Assessment backlog from 1037 (Aug23) to 64 (Sept24)
Detailed Reviews & Process improvements	
<ul style="list-style-type: none"> • Detailed Court of Protection (COP) review & process improvements implemented. • Detailed review of Deceased Cases, process changes implemented. • Legal review undertaken, changes implemented, and additional services procured. • Customer correspondence review completed, revised dunning letters and template letters produced including behavioural science nudges. 	<ul style="list-style-type: none"> • Reduced timeframe over the end-to-end COP process once all changes implemented. • Deceased Debt reviewed and tackled at earliest opportunity. • Identify toxic debt more quickly and take actions to resolve or write-off timely. • Reduce Debt write-offs in the longer term. • Increased options to improve recovery through external legal / trace services.

External Debt Recovery Agents	
<ul style="list-style-type: none"> Debt Recovery Agents procured to handle ASC cases with a softer approach with the council remaining in control. Referral of cases to Finders International and associated solicitors. 	<ul style="list-style-type: none"> Maximise collection (21% of first tranche referred paid & 50% of customers made contact where they had not previously engaged) Identify non-recoverable debts quicker and reduce bad debt write-offs Decrease Legal costs in the longer term
Resources	
<ul style="list-style-type: none"> Review Debt Team operating model to ensure the right level / skill level is effective. Recruitment to vacant / additional funded posts within Debt & Client Funds teams. Increase training and development of staff to deliver high performing team. Right-Size Client Funds Team to reduce / remove waiting list 	<ul style="list-style-type: none"> Increased skill and knowledge of staff to maximise opportunities to secure income and reduce Bad Debt. Improved cashflow and assurance within the council in respect of debt management.
Process improvements / New ways of working / Improve Customer Experience	
<ul style="list-style-type: none"> Direct Debit Campaign (Increase Take-up) Promotion / switch towards digital where possible (Paperless Billing & Communications [email / SMS]) Pilot changes to dunning process and analysis the effectiveness of different options. Implement changes identified within Audit report. Review and update corporate Income Strategy, and guidance documents. Identify debt write-off root cause(s) and implement changes to minimise 	<ul style="list-style-type: none"> Improved customer experience through use of modern technology and improved processes. Reduction in councils costs and carbon footprint Maximising return through use of cost-effective third-party services. Improved controls in respect of debt management. Policies that align with effective debt recovery and the councils wider ambitions.

3. Conclusion and reasons for recommendations

3.1 The report sets out the current debt position for the Council, the challenges being faced, especially around Adult Social Care, and the actions taken / being progressed through the Debt Improvement project.

4. Significant Implications

4.1 Finance Implications

There are no additional financial implications within this category

4.2 Legal Implications

There are no significant implications within this category.

4.3 Risk Implications

There are no significant implications within this category.

4.4 Equality and Diversity Implications

There are no significant implications within this category.

5. Source Documents

- Monthly Debt Information Packs & Detailed supporting papers
- Debt Improvement programme updates and analysis
- Assessment Monitoring Information Packs

Finance and Resources Directorate, New Shire Hall