

Finance Monitoring Report – December 2024

To: Adults and Health Committee

Meeting Date: 12 December 2024

From: Executive Director: Adults, Health & Commissioning
Executive Director: Finance and Resources

Electoral division(s): All

Key decision: No

Forward Plan ref: N/A

Executive Summary: The report provides an update on the financial position of the Adults, Health and Commissioning Directorate (including Public Health) as at the end of October 2024.

Recommendations: Adults and Health Committee is recommended to:

- 1) note the Adults, Health and Commissioning Finance Monitoring Report as at the end of October 2024.
- 2) note the update on Adult Social Care debt.

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1. Creating a greener, fairer and more caring Cambridgeshire

- 1.1 This regular financial monitoring report provides the consolidated management accounts of the Adults, Health and Commissioning Directorate and the Public Health Directorate, enabling members to be aware of, and to scrutinise, the delivery of the business plan for 2024-25 and the corporate vision and ambitions within it.

2. Background

- 2.1 Finance Monitoring Reports (FMR) are produced monthly, except for April, by all services. They report on a range of financial information to enable a view of each service's financial position to be taken.
- 2.2 Budgets for services are agreed by Full Council in the business plan in February of each year and can be amended by budget virements. In particular, the FMR provides a revenue budget forecast showing the current projection of whether services will be over- or under-spent for the year against those budgets.
- 2.3 The presentation of the FMR enables Members to review and comment on the financial position of services within the committee's remit.
- 2.4 Generally, the FMR forecasts explain the overall financial position of each service and the key drivers of any budget variance, rather than explaining changes in forecast month-by-month.
- 2.5 The contents page of the FMR shows the key sections of the report. In reviewing the financial position of services, members of this committee may wish to focus on these sections:
- Section 1 – providing a summary table for services that are the responsibility of this committee and setting out the significant financial issues (replicated below).
 - Section 5 – the key activity data for Adult Services provides information about service-user numbers and unit costs, which are principal drivers of the financial position.
 - Appendices 1-3 – these set out the detailed financial position by service and provide a detailed commentary for services projecting a significant variance from budget.
 - Appendix 4 – this sets out the savings for Adults, Health and Commissioning and Public Health in the 2023/24 business plan, and savings not achieved and brought forward from previous years that are still thought to be deliverable.
 - Appendix 5 – contains information on earmarked reserves, grant income and budget virements.

3. Main Issues

3.1 Adults, Health and Commissioning overall revenue position

3.1.1 The overall position for Adults, Health and Commissioning budgets to the end of October 2024 is a forecast underspend of £5,388k (equivalent to 2.3% of the annual budget). This includes a forecast underspend for Public Health of £248k (equivalent to 0.6% of the annual budget) which is assumed to be transferred to Public Health reserves at year end.

Forecast Outturn Variance (Previous) £000	Service Area	Gross Budget £000	Income Budget £000	Net Budget £000	Actual to date £000	Forecast Outturn Variance £000	Forecast Outturn Variance %
3,113	Executive Director	21,580	-54,503	-32,923	-30,973	978	-3.0%
1,504	Learning Disability and Prevention	155,600	-37,137	118,463	69,592	1,543	1.3%
-10,876	Care and Assessment	145,734	-42,515	103,218	59,130	-10,409	-10.1%
2,177	Commissioning (incl Mental Health)	52,965	-10,706	42,259	23,715	2,501	5.9%
-274	Public Health	41,695	-38,792	2,904	-9,555	-248	-0.6%
-4,355	Total Expenditure	417,574	-183,653	233,921	111,908	-5,636	-2.4%
274	(Drawdown from) / Contribution to Public Health reserves	-2,903	0	-2,903	-982	248	9%
-4,081	Total	414,671	-183,653	231,018	110,926	-5,388	-2%

3.1.2 Net growth in the early months of the year for Older People services was significantly below budget, and whilst growth has now returned to closer to expected levels, a significant forecast underspend remains. This is largely driven by higher numbers of packages ending rather than by lower numbers of new packages starting, and represents a shift from the trends we had been seeing during, and in the period immediately following, the covid pandemic. A deep dive into this area continues to further understand the changes to flows of service users in recent months to inform both the in-year forecast and future demand projections.

3.1.3 The forecast underspend against the budget for Older People services is partially offset by pressures in services for people with learning difficulties and for mental health care costs, some of which relate to Older People. Plus, some of the savings built into the Business Plan for 2024-25 need further work to deliver.

3.1.4 The key factors that will impact the forecast position as the year progresses include:

- demand is difficult to predict and can vary significantly from month to month. This can be reflected both in numbers accessing services, and higher acuity of need of those accessing services;
- the Directorate has a challenging set of savings targets to deliver against in 2024-25. Progress against these targets is reported quarterly and whilst many are on track to deliver, in other areas the work to finalise delivery plans is still underway putting at risk the chances of full delivery of savings in the current financial year;
- recruitment remains challenging and vacant posts can lead to underspends against staffing budgets;
- staffing risks are particularly pertinent for the Public Health team in the short term as the separation from Peterborough City Council takes place; and
- pressures with the provider market continue to be felt, particularly related to increasing fee rates. Inflationary negotiations are ongoing with over 90% of package uplifts agreed to date. Providers are continuing to report cost pressures related to both workforce issues and the current cost of living crisis. The impacts of inflationary pressures are seen both in the uplifts required for existing care packages, and the price at which new packages are sourced; and
- the position of the care market, particularly around specific types of provision and location, is making some placements more difficult to source, particularly at the more complex end of provision.

3.1.5 As a result of these issues, close attention will be paid to changes in demand, costs and income as the 2024-25 financial year progresses, and forecasts will be updated accordingly.

3.1.6 There is further commentary on overdue debt with Health partners in section 3.3.1 below. Adults, Health and Commissioning overdue debt (excluding debt with Health partners) stood at £22.3m at the end of August, up from £21.7m at the end of July. Although the large majority of client contributions are paid on time, the complexity of people's individual care needs and personal finances will mean that some amounts are not immediately collectable: this can include amounts secured against properties or subject to probate. . The Council has established a focused programme of work to ensure that activity to collect amounts owed as client contributions keeps pace with increased levels of billing and that levels of aged and overdue debt are decreased with improved customer experience.

3.1.7 Adults, Health and Commissioning overdue debt (excluding debt with Health partners) stood at £20.9m at the end of October, down from £21.6m at the end of September. In addition, overdue debt with Health partners stood at £10.6m at the end of October down significantly from £27.6m at the end of September following the partial payment of a number of outstanding invoices in relation to the Learning Disability Partnership. Actions continue following a deep dive into some of the factors resulting in the levels of debt, along with additional resources to work on backlogs of financial assessments. Debt over 90 days old was £17.0m at the end of October, down marginally from £17.1m at the end of September. The level of aged debt has a knock-on impact on the bad debt provision and likelihood of write offs which will be monitored as the year progresses.

3.2 Update on Adult Social Care debt presented to Audit Committee in October 2024

3.2.1 Audit and Accounts Committee received an update on debt as at the end of September 2024 at its meeting on 31 October. The elements related to Adult Social Care debt are replicated below.

Background

3.2.1 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.

3.2.2 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.

Overall Debt position

3.2.3 The main areas impacting the current debt position are:

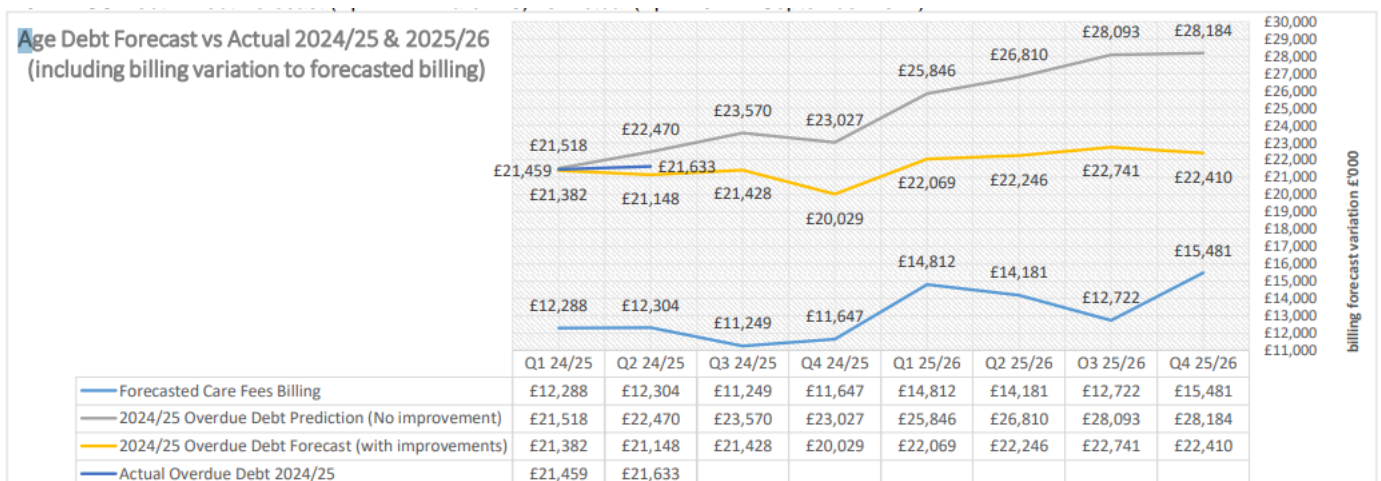
- Significant increase in Integrated Care Board (ICB) debts which stood at £28m on 1 October compared to £3.8m at the same point in 2023/24. During October, payments of £16.6m have been secured, which is welcomed, and reduces the ICB debt balance to £11.4m.
- Increased ASC debt billing of £6.6m in 2023/24 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.

3.2.4 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.

3.2.5 ASC Debt – Debt forecast (April 24 – March 26) vs Actual (April 24 – September 24)



3.2.6 Finance modelling has been undertaken to forecast the revenue through 2024/25 and 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.

3.2.7 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.

3.2.8 ASC has seen a £2.4m increase in debt 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 undertaking 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.

2023/24 – Collection Performance

3.2.9 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

3.2.10 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.

3.2.11 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.

Improvements Implemented / In Progress







3.2.12 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 24)
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 / subcategory (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 costeffective third-party services. • Improved controls in respect of debt management. • Policies that align with effective debt recovery and the councils wider ambitions.

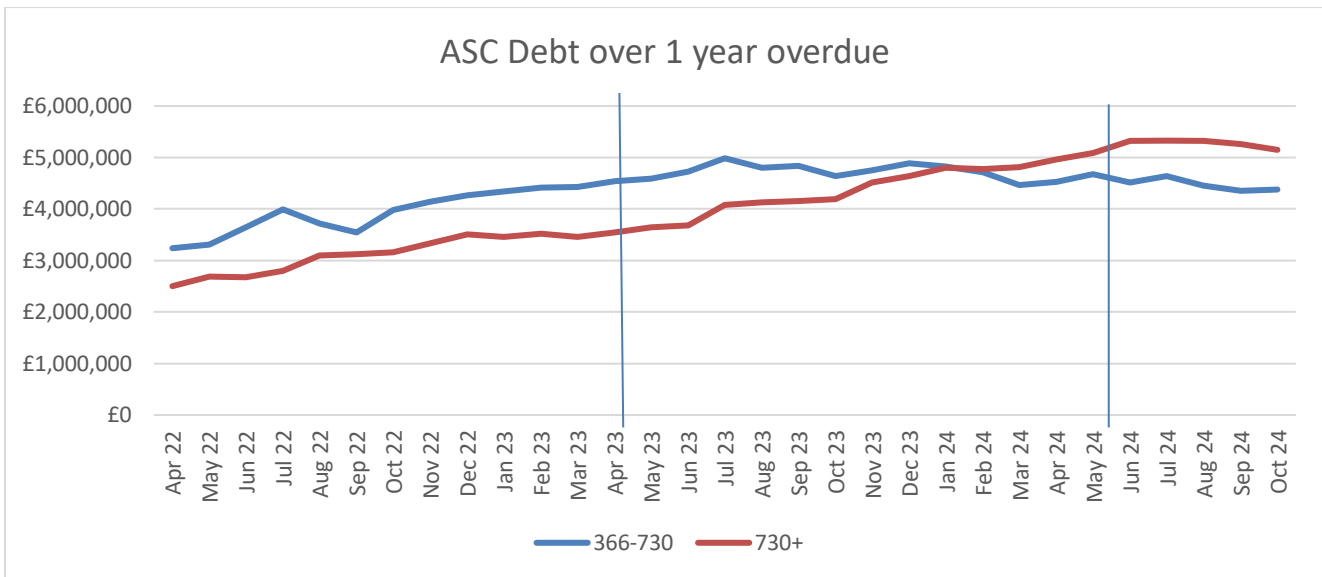
3.3 Latest position on Adult Social Care debt

3.3.1 Adult Social Care debt at the end of October with trend performance is set out below.

Overall Age Debt Position - By Directorate					
Directorate	Overdue			Trend Performance	
	Current Month	Previous Month	Last Year	Monthly	Yearly
Adults, Health and Commissioning	£ 20,900,223	£ 21,633,031	£ 18,843,256		
Public Health	£ -	£ 6,840	£ 11,472		
NHS Services (mainly AHC)	£ 10,637,199	£ 27,984,961	£ 5,693,195		
	£ 31,537,422	£ 49,624,832	£ 24,547,923		

3.3.2 This reflects an improved position across the Adults, Health and Commissioning Directorate compared to the September position presented to Audit and Accounts Committee. In particular the October position reflects the significant payments received from Health partners during October 2024.

3.3.3 In addition to an improved overall position we are also seeing older debt starting to reduce slowly having been consistently grown for many months. As shown in the graph below. This reflects the actions from the debt deep dive.



3.3.4 Further information is also being collated for Audit and Accounts Committee in relation to backdated charges and the impact these have had on debt levels. This will be brought to the next Adults and Health Committee for information.

4. Significant Implications

4.1 Finance Implications

This report provides the latest financial information for the Adults, Health and Commissioning and Public Health Directorates and so has a direct impact on scrutiny and on wider decision making.

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

5.1 None.

6. Accessibility

- 6.1 The information contained in this report and appendix is available in an accessible format on request from the report author.