

Debt Management Update

To: Audit and Accounts Committee

Meeting Date: 31st May 2022

From: Director of Resources & Chief Finance Officer

Electoral division(s): All

Purpose: Debt Collection Update

Key Issues: The Committee were seeking regular 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 2022/23

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1. Background

The purpose of this report is to provide an update on current debt management position following on from the previous report submitted in July 2022.

2. Performance

2.1 Overall Debt position

The current debt position is £17.5m, which represents a reduction of £4.8m from the last Audit committee meeting during June 2021.

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 Audit Meeting	Monthly	Last Audit Meeting
Corporate Services	£537,913	£1,095,502	£1,898,636	↑	↑
NHS Cams and Pboro CCG	£1,862,822	£4,877,761	£5,683,450	↑	↑
People & Communities - ASC	£13,334,971	£13,862,463	£11,564,091	↑	↓
People & Communities - C&CS	£41,030	£40,578	£58,841	→	↑
People & Communities - CYP	£493,494	£447,252	£561,957	↓	↑
People & Communities - EDUC	£581,803	£677,705	£649,766	↑	↑
Place & Economy	£1,849,215	£2,682,426	£3,163,569	↑	↑
Public Health	-£82,552	£784,412	£6,082	↑	↑
Unapplied	-£1,113,393	-£2,320,646	-£1,303,085	↑	↑
Grand Total	£17,505,301	£22,147,453	£22,283,307		

Overall Age Debt by - Debt Status

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

Debt Status	OverDue			Trend Performance	
	Current Month	Previous Month	Last Audit Meeting	Monthly	Last Audit Meeting
Automated Dunning Cycle	£8,197,329	£10,616,953	£1,334,252	↑	↓
Awaiting Appointee / Court of Protection / Power of Attorney	£1,800,090	£1,906,534	£1,226,039	↑	↓
Awaiting Service Response	£2,242,735	£3,514,029	£7,059,218	↑	↑
DCA Action - Ongoing	£49,756	£50,935	£12,400	↑	↓
Debt Team Dealing	£328,751	£328,990	£1,091,539	→	↑
Deceased - Pending Probate / Settlement of Account	£3,580,110	£3,489,725	£3,324,194	→	↓
Full Cost Non-Disclosure	£419,107	£565,157	£0	↑	New Category
Income Team Dealing	£573,058	£626,564	£796,101	↑	↑
Legal Action - Ongoing	£528,678	£529,556	£626,120	→	↑
Payment Plan	£1,052,440	£1,156,159	£1,140,352	↑	↑
Pending Write-off	£71,382	£305,886	£242,964	↑	↑
Pre Dunning Cycle / Unallocated Cash	-£1,804,237	-£1,407,976	£5,207,592	↓	↑
Secured Property Charge	£466,103	£464,941	£214,480	→	↓
Unapplied Credit	£0	£0	£8,055	Old Category	↑
Grand Total	£17,505,301	£22,147,453	£22,283,307		

Please note that this table is in line with our new reporting pack implemented in April 2021, we are therefore not able to provide a yearly Directorate or Debt Status comparison so have baselined the figures to those presented at the last Audit Committee meeting.

The high-level total however for March 2021 was £23,668,514 which indicates a year-on-year improvement of £5.2m

As shown above the majority of the movement is through a reduction in NHS (Clinical Commissioning Group CCG) debt by £3.8m as a result of work undertaken by Finance and the CCG during 2021/22 as detailed in section 2.2 below.

Adult Social Care debt has within the same period increased by circa £1.8m with the bulk of such increase £1.5m in relation to the increased timeframe now being experienced in the completion of some formal processes such as Court of Protection (COP), Power of Attorney and settlement of clients estates, such delays are outside of the Councils control, and as shown below cases pending COP alone stand at £1.1m, compared to £740k in June 2021. There is also an assumption that there has been an impact from the pandemic and customer's ability to pay.

Delays in COP is a national problem, where response times have increased from 16 weeks to circa 12 months. Research has shown the delays are also impacting private solicitor firms and not just Local Government. The delays are also impacting mental capacity tests, where in many cases the assessments are having to be duplicated as period since the original completion is a year ago and therefore the client's capacity may have changed in that timeframe.

The table below shows the main areas of increase in ASC Debt:

Debt Status	P12	P3	Movement	Adjustment for trans > £10k with no CC	Total Movement
Court Of Protection - Internal	£1,097,358	£740,320	£357,038	£152,601	£509,639
DECEASED - Dunning suspended	£3,420,105	£3,169,448	£250,657		£250,657
DISPUTE - Service Delivery in Dispute	£491,673	£229,810	£261,862		£261,862
Power of Attorney - Internal	£636,287	£357,538	£278,750		£278,750
Secured Property Charge	£451,813	£200,190	£251,623		£251,623
Client Funds Pending				£199,620	£199,620
Grand Total	£6,097,236	£4,697,306	£1,399,930	£352,221	£1,752,151

Additional actions are being taken to support collection of the lower value debt, and to assist we have secured additional funding to temporarily increase resource within the team by 1 FTE in order to more proactively chase the debt, working alongside the financial advisory team and operational colleagues in the People & Communities directorate.

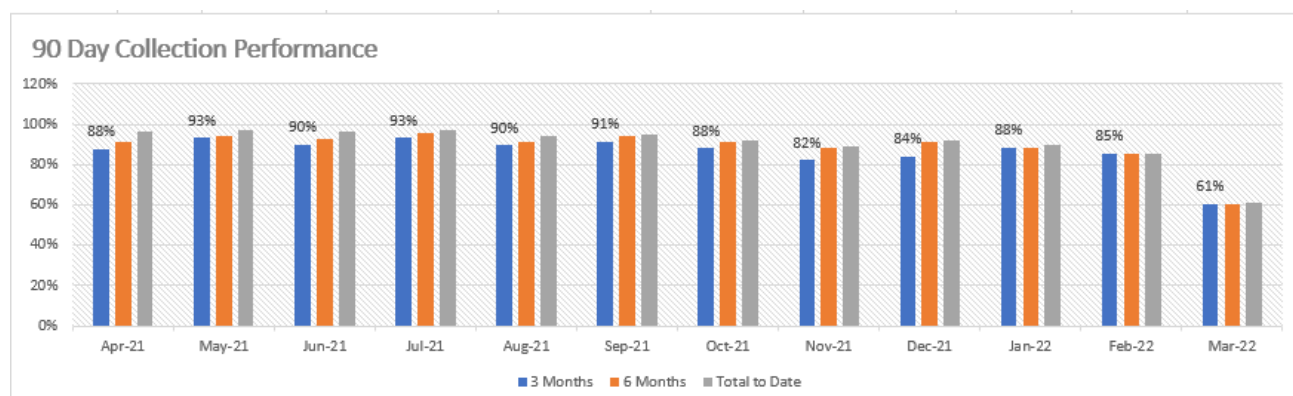
2.2 CCG Update

The current outstanding debt with the CCG is approximately £1.9m, down from £5.6m reported previously to committee.

Work with the CCG to reconcile payments owed pre 2020 has concluded and all CCG debt pre-1st April 2020 has now been cleared. Further work continues to clear all outstanding debt post April 2020 as we move towards the date at which the CCG will cease to exist in summer 2022, and the new Integrated Care Systems will come into effect.

2.3 Collection Rates

The table below shows the in-year collection performance for 2021/22:



Combined 90 Day Performance

Financial	Period	Number of	Invoiced	Income Collected [£]			Performance - % Collected		
				3 Months	6 Months	Total to Date	3 Months	6 Months	Total to
2021/22	Apr-21	5,071	12,060,115	10,558,076	11,019,460	11,577,122	88%	91%	96%
	May-21	5,081	17,708,108	16,500,729	16,680,464	17,141,764	93%	94%	97%
	Jun-21	6,493	24,481,873	22,045,847	22,693,593	23,655,986	90%	93%	97%
	Jul-21	7,708	26,977,131	25,098,543	25,885,851	26,243,286	93%	96%	97%
	Aug-21	4,517	11,150,356	9,989,621	10,186,327	10,534,466	90%	91%	94%
	Sep-21	7,394	20,581,576	18,817,752	19,424,428	19,558,509	91%	94%	95%
	Oct-21	6,392	15,262,099	13,445,942	13,937,666	14,068,202	88%	91%	92%
	Nov-21	5,308	9,367,505	7,703,032	8,263,857	8,326,790	82%	88%	89%
	Dec-21	5,311	11,378,388	9,554,132	10,408,998	10,443,841	84%	91%	92%
	Jan-22	5,489	11,404,862	10,090,483	10,090,483	10,198,891	88%	88%	89%
	Feb-22	5,479	15,430,302	13,172,260	13,172,260	13,219,332	85%	85%	86%
	Mar-22	5,272	61,072,458	37,034,323	37,034,323	37,088,372	61%	61%	61%

The above collection rates show that performance in terms of revenue secured remains high with an average of 94% being secured during the first ten months of the financial year. The reduction in later months is attributed to reduced timeframe that the Debt Team has had to secure payment following query / dispute resolution, and with the majority of charges raised during March not due for payment until after the reporting period had closed on the 31st March 2022. These figures will increase over the proceeding period through further planned recovery activity.

Recovery actions taken by the Debt Team to secure payment during the last twelve months has kept write-offs low at £868k, which represents just 0.37% of the revenue raised during the same period which totalled £236.9m.

3. Service Improvements

The Debt Improvement Plan continues to progress since attendance at the July 2021 Audit Committee. The initial plan included 24 items for improvements, which has since increased to 26.

A number of the items identified for improvement have been delayed due to ERP development freeze and the implementation of the Future Northants Programme, where CCC share an accounting and enterprise resource management system with four partners. Six improvements have been implemented to date, with the remainder of changes at various stages depending on where they sit in terms of pending system configuration / development changes by Business Systems or the software provider.

3.1 Improvements since last reporting period:

3.1.1 Improved Collections Policy

A new Collections Policy was rolled out in April 2022. This policy outlines the principals of debt managements and the responsibilities of budget holders, including:

- Debt code of practice
- Key principals of bad debt write offs
- Principals of payment plans
- Roles and responsibilities
- Internal SLAs in respect of the resolution of queries and disputes.

In addition to the detailed Income Collection Strategy, a shorter edition has also been published as it is recognised that the full detailed policy is not necessarily required by those staff that have a very limited role within the overall process. It is hoped that this will increase awareness across the council in respect of the sound principles to follow.

3.1.2 Implementation of debt portfolios

Debt portfolios are now embedded within the Debt Team. This provides management the ability to monitor performance and provide statistics to support the impact of recovery by various methods, such as phone calls, emails and letters to customers.

3.1.3 Reduction in invoices sent via post

Analysis was performed in November 21, where it was identified that 76.79% of all invoices were sent out via post. This is not only a cost to the Council but also inefficient, particularly with sundry debt where most customers will have the ability to receive invoices via email.

During Q4, a resource was introduced to the team to actively gather email addresses by contacting customers, commencing with maintained Schools and Academies.

The exercise is proving successful, with a 10.19% reduction in invoices sent out by post. When the activity was baselined, 42.57% of Schools invoices were sent out via paper, this has now reduced to 0.90% and the direct contact has been received positively.

Work continues in this area and discussions have commenced within Adults Social Care to look to improve the level of invoices sent via email to customers. This needs to be managed through close working with the Adult Social Care management team due to the nature of the customer base.

Printed and Posted percentages by Customer Group.

	May-22	Nov-21
Commercial	26.20%	43.23%
County Farms	18.30%	79.79%
Individuals	59.70%	75.40%
Managed Schools	0.90%	42.57%
Adult Social Care	84.20%	86.27%
All	66.70%	76.79%

3.1.4 Improved Debt Recovery Letters in Adult Social Care

New recovery letters were scoped out and agreed with Adult Social Care in Q3 of 2021/22, where statement style reminder letters will be sent to customers. Currently reminder letters are sent at invoice level, where the customer does not have the full view of any debt that is owed.

The new format of these letters will present the customer with a statement of their debt, so that they are more informed, therefore supporting improved customer service and also efficiency for the debt team.

The letters are aimed to be rolled out during June 22. Changes were delayed due to system development freeze and change in ERP functionality required to produce new style letters.

3.1.5 Complaint codes at account level

When the current ERP system was configured complaint codes were configured to work at transactional level. The resources to maintain and update codes as part of the recovery process can be time consuming and ideally complaint codes would function at the customer level with the ability to override at transactional level where necessary.

Workaround has been developed and implemented to enable for complaint codes to be created or updated on mass, thereby reducing the operational resources spent on this activity.

3.1.6 Improve Self Service

Both the Debt and Adult Social Care teams have been provided with enhanced system access to improve self-service and reliance on internal teams. This in turn provides improved customer service through first contact resolution to customers.

3.1.7 Billing accuracy

Work continues on the accuracy of billing. Working in collaboration with Finance, various communications have been sent to budget holders to ensure that invoices are raised correctly, including a valid Purchase Order where appropriate.

The new Income Collections policy recently introduced as mentioned above should also help in this area as it provides clear principles that should be followed when raising or collecting invoiced income.

In addition, the Debt team are undertaking data cleansing which has identified a number of duplicate accounts, which are being managed appropriately to reduce impacts going forward.

3.1.8 Debt Reporting Pack

Although the revised reporting was introduced during April 2021, there have been several enhancements made during the year to provide further analysis in respect of debt including age bracket movement analysis and individual summaries in respect of Adult Social Care who are one of the largest stakeholders in terms of volume and aged debt. This enables focus on key areas within the debt process and concentrated work with divisions.

This report is circulated to Finance Business Partners as well as service leads within Adult Social Care. Additionally, the report is discussed during service review meetings to address areas of concerns, leading to key actions being taken to address.

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