

AUDIT AND GOVERNANCE COMMITTEE 30 NOVEMBER 2022

PEOPLE DIRECTORATE – OCTOBER 2022 DEBT POSITION STATEMENT

Recommendation

1. The Chief Financial Officer recommends that the Debt Position Statement for the People Directorate is noted.

Overview of People Directorate Debt Levels

2. The total debt outstanding for the People Directorate as of 31 October 2022, was £18.83 million (an increase of £88k on the July 2022 figure previously presented) of which 59.2% (60.7% in July 2022) was aged more than four months old. However, while the overall debt has increased marginally, the figure for Adults Social Care has increased by £696k while Public Health has decreased by £680k.

Table 1: People Directorate Debt Outstanding @ 31 October 2022

Data @ 31 Oct 2022	Up To 30 Days	Instalment	31 to 120 Days	121 to 365 Days	>365 Days	Grand Total	No of Customers
People - Adults	3,698,884.51	337,704.82	2,755,564.70	3,773,770.28	5,328,221.60	15,894,145.91	5,997
People - Communities	333,234.46	436.70	534,754.88	1,064,496.79	966,971.19	2,899,894.02	344
People - Public Health	1,261.77		11,413.00	216.38	19,622.41	32,513.56	27
Grand Total	4,033,380.74	338,141.52	3,301,732.58	4,838,483.45	6,314,815.20	18,826,553.49	6,368
% of Total Debt	21.4%	1.8%	17.5%	25.7%	33.5%		

3. As can be seen in Tables 2 and 3, the upward trend in the value of debt with Adult Social Care Debt has continued since July with debt increasing by a further 5% (to £15.9 million) in the last 3 months, whilst other service areas have reduced by 21% (to £2.9 million) as of 31st October 2022. Table 3 below provides further detail of this. This is despite the continued increased focus and spend on debt collection in this area. Information from other Authorities would indicate the same trend.

Table 2: People Directorate Debt – Trend Analysis

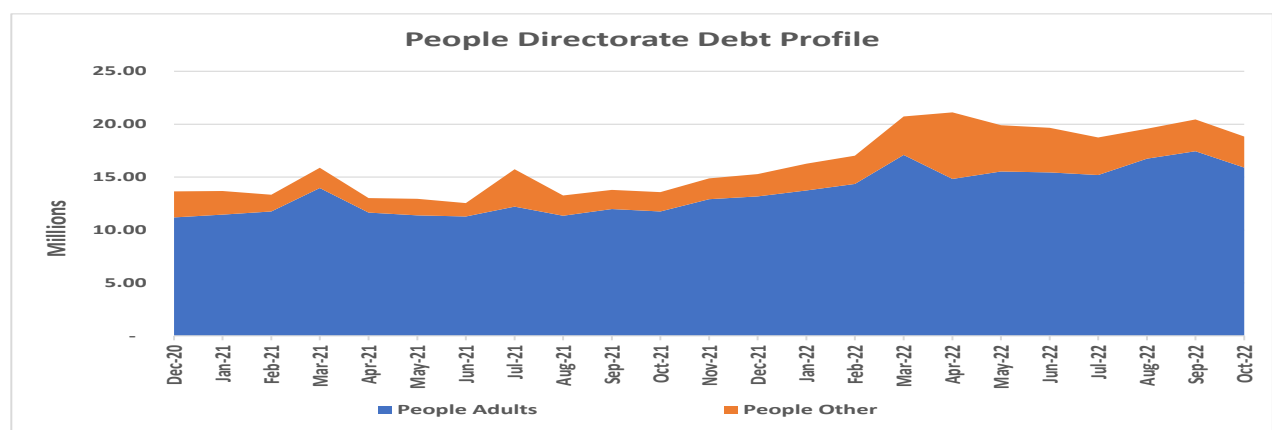


Table 3: People Directorate Debt – Trend Analysis Detail

Rolling 12-Month Period	People Adults	People Communities	People - Public Health	Total
Nov-21	12,911,491.31	1,860,683.79	116,514.19	14,888,689.29
Dec-21	13,174,154.81	2,004,444.04	111,402.60	15,290,001.45
Jan-22	13,739,825.40	2,400,979.16	130,611.98	16,271,416.54
Feb-22	14,347,601.79	2,382,178.60	301,414.49	17,031,194.88
Mar-22	17,097,651.76	3,354,593.19	284,873.32	20,737,118.27
Apr-22	14,831,317.03	6,082,082.27	207,267.33	21,120,666.63
May-22	15,535,167.40	3,996,497.92	371,825.95	19,903,491.27
Jun-22	15,445,033.00	3,828,380.35	378,025.37	19,651,438.72
Jul-22	15,197,673.91	2,828,481.53	712,097.64	18,738,253.08
Aug-22	16,745,191.61	2,725,099.11	107,216.75	19,577,507.47
Sep-22	17,440,932.97	2,978,543.54	32,511.79	20,451,988.30
Oct-22	15,894,145.91	2,899,894.02	32,513.56	18,826,553.49

4. Further detailed analysis of the ASC debt is provided below. The figure for Communities (in Table 3) includes an amount of £1.1 million which relates to sums invoiced to the University of Worcester in respect of shared costs for The Hive. This invoice has been disputed by the University and the Council's Legal Team are currently exploring the options for legal recovery of this debt.

Adult Social Care (ACS) Debt

5. Charges in respect of ASC are levied in respect of Residential and Nursing, Domiciliary, and Respite Care. The 31 October Debt position for each of these groups can be seen in Table 4. (This debt position does not include Deferred Payment Agreements, which are explained in paragraph 14.) Table 4 also includes other historical debts where instalment provisions have been put in place and other non-service specific charges.

Table 4: ASC Debtors Per Service Type

Service Type	Up To 30 Days	Instalment	31 to 120 Days	121 to 365 Days	>365 Days	Grand Total
Residential and Nursing	2,876,606.46	0.00	1,985,910.12	2,639,541.89	2,519,457.99	10,021,516.46
Domiciliary	783,004.71	76.57	719,121.23	994,132.70	2,401,490.20	4,897,825.41
Respite	38,529.00	460.69	48,679.81	131,039.09	235,460.76	454,169.35
Instalment Arrangements	0.00	337,167.56	0.00	0.00	-10,737.96	326,429.60
Other	744.34	0.00	1,853.54	9,056.60	182,550.61	194,205.09
	3,698,884.51	337,704.82	2,755,564.70	3,773,770.28	5,328,221.60	15,894,145.91

6. As previously stated, care is procured by the Council and charges are invoiced monthly in arrears.

7. Table 5 below shows the value of charges raised for the 12 months up to 30 September 2022, collection rates for all Adult Social Care customers is 81%. However, for those ASC clients (approximately 37%) who pay by Direct Debt, collection rates are significantly improved at 96%. For service users paying by an alternative method, the collection rates are less successful, with £5.8 million (26.8%) unpaid.

Table 5: ASC Monthly Invoices and Collection Rates

Period	Total			Direct Debit Customers			Non Direct Debit Customers		
	Invoiced	Debt O/S	% Paid	Invoiced	Debt O/S	% Paid	Invoiced	Debt O/S	% Paid
Oct-21	£2,418,892.20	£309,391.19	87.21	£905,228.16	£7,367.18	99.19	£1,513,664.04	£302,024.01	80.05
Nov-21	£2,607,307.00	£318,542.63	87.78	£950,469.94	£13,573.11	98.57	£1,656,837.06	£304,969.52	81.59
Dec-21	£3,103,383.19	£393,062.29	87.33	£1,213,066.74	£53,345.03	95.60	£1,890,316.45	£339,717.26	82.03
Jan-22	£2,720,896.05	£382,228.65	85.95	£932,967.78	£8,511.76	99.09	£1,787,928.27	£373,716.89	79.10
Feb-22	£2,455,874.37	£319,170.01	87.00	£986,213.02	£13,605.96	98.62	£1,469,661.35	£305,564.05	79.21
Mar-22	£3,178,363.29	£431,456.58	86.43	£1,105,852.12	£23,491.29	97.88	£2,072,511.17	£407,965.29	80.32
Apr-22	£2,458,866.74	£454,998.52	81.50	£898,954.59	£11,171.08	98.76	£1,559,912.15	£443,827.44	71.55
May-22	£2,989,319.76	£578,104.24	80.66	£982,341.64	£21,881.28	97.77	£2,006,978.12	£556,222.96	72.29
Jun-22	£3,328,814.78	£599,456.29	81.99	£1,288,566.75	£32,931.55	97.44	£2,040,248.03	£566,524.74	72.23
Jul-22	£2,712,749.00	£716,367.96	73.59	£1,097,007.79	£189,587.17	82.72	£1,615,741.21	£526,780.79	67.40
Aug-22	£2,979,932.05	£925,544.25	68.94	£943,729.54	£46,892.07	95.03	£2,036,202.51	£878,652.18	56.85
Sep-22	£3,357,128.66	£940,243.05	71.99	£1,191,050.49	£85,639.05	92.81	£2,166,078.17	£854,604.00	60.55
	£34,311,527.09	£6,368,565.66	81.44	£12,495,448.56	£507,996.53	95.93	£21,816,078.53	£5,860,569.13	73.14

8. An analysis of the debt over 365 days since December 2020 is at Table 6. This shows that while the value of debt has increased, the percentage of debt over 365 days has remained at circa. 28% of the overall debt. Table 7 shows the age of ASC debt over 365 days as of 31 October 2022.

Table 6: Adult Social Care Age of Debt over 365 days

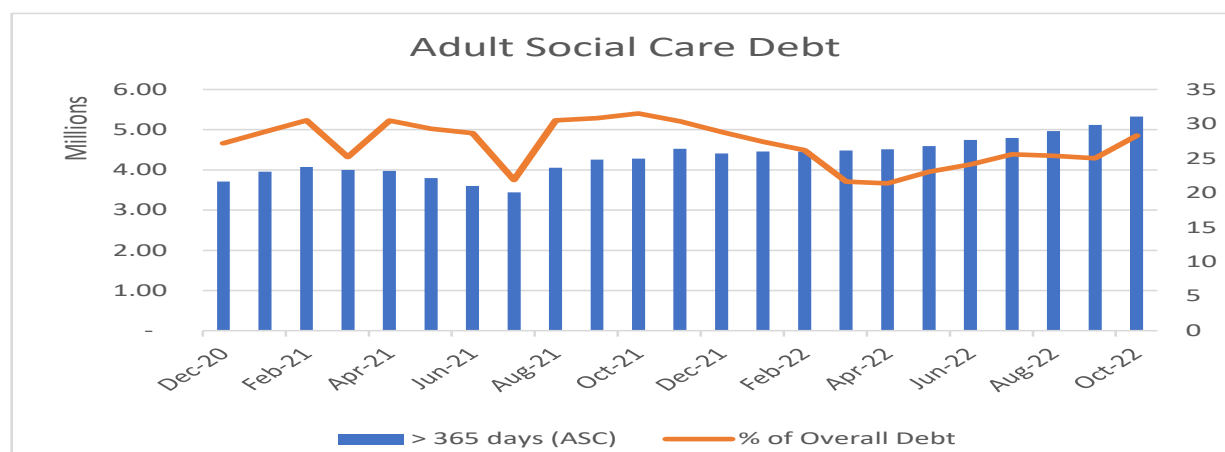


Table 7: Adult Social Care Age of Debt over 365 days

Year Raised	People - Adults
2016	180,413.42
2017	372,684.65
2018	534,817.34
2019	769,377.02
2020	1,784,492.21
2021	1,686,436.96
Total	5,328,221.60

9. Table 7 shows that debt levels have increased significantly since 2019, at which time responsibility for charges for residential care transferred to the Council rather than direct client billing from Care Providers. Residential and Nursing Care currently accounts for 63% of all debt.

10. The impact of Covid 19 and widespread speculation on planned changes to ASC funding are also likely to be factors in payment decline. WCC are currently exploring action that may be taken to change this behaviour. To identify future strategies for recovery, we have undertaken an analysis of the ASC debtors. Table 8 shows the various ASC debtor groups @ 31st October 2022.

Table 8: Adult Directorate Customer Groups

Customer Groups	Up To 30 Days	Instalment	31 to 120 Days	121 to 365 Days	>365 Days	Total
Individual	2,312,282.88	337,704.82	2,743,096.15	3,598,267.99	5,036,978.12	14,028,329.96
Health Authority	1,274,646.69	-	-	77,877.02	41,787.67	1,394,311.38
Commercial Organisation	111,954.94	-	12,468.55	61,881.28	177,119.29	363,424.06
Local Authority	-	-	-	35,743.99	7,714.02	43,458.01
Other (Under Investigation)	-	-	-	-	64,622.50	64,622.50
Total	3,698,884.51	337,704.82	2,755,564.70	3,773,770.28	5,263,599.10	15,894,145.91

11. Debt recovery action has processes to deal with various debtor types. These include legal action where other recovery activity has not been successful. For ASC Individual clients, which are by far the largest group of debts, we have further sub-divided the Debtor Groups as shown in Table 9.

Table 9: ASC Individual Debtor Groups

Debtor Groups - Individuals	No of Debtors	Debt Value	Debt Activity
Current Transactions Only	2362	1,548,694.02	No action required - accounts up to date
Debts with Legal Service	138	2,540,091.93	Legal Action in Progress
Credit or Less than £50	616	- 322,530.50	Consider write off/on
COP Clients	137	2,297,565.50	Pursuing with Financial Representatives
Deceased >12 months	336	877,331.13	To be reviewed on case by case basis
Deceased < 12 Months	123	459,698.94	Pursuing with Executors
Current Client with multiple 2022 and Aged Debts	565	2,403,796.97	Chasing action continues with little success
Current Client with multiple 22 Debts	800	2,119,395.18	Chasing action continues
Not Current Client Debts Pre-Dating 2019 Only	167	145,554.36	Consider write off action
Not Current Client Debts Aged 2019 and March 2022	466	547,424.52	Chasing action continues with little success
Not Current Client 2022 and Aged Debts	455	870,198.82	Pursuing with Client
Not Current Client 2022 Debts Only	172	541,109.09	Pursuing with Client
Total	6337	14,028,329.96	

12. As shown in Table 9, the Finance Operational Services (FOS) Debt and Legal Teams continue to chase debts outstanding. Given the scale of the task and the resource available, this is likely to take some considerable time. The Team continues to review the resourcing of this activity and whether external collection provision should or could be used. However, such a move could attract negative publicity, particularly during the “cost of living” crisis. There has been increased pressure in Court of Protection client debt and dedicated resource is now in place to manage this. It should also be noted that while over £4.5m is owed by clients who are still in receipt of service the Council is not legally permitted to withdraw its provision to these individuals. We continue to explore how best to secure payments from such individuals.

13. Considering the increasing debt levels, FOS teams are considering a number of initiatives to improve client engagement and increase payment levels. Specific projects and developments, as well as legal action noted above, include:

- the implementation of an enhanced Billing Module within the Social Care Case Management System, which will provide service users with a monthly holistic view of their account including care provision and payment information to date rather than the current provision of individual monthly invoices. This project has now commenced.
- The current reporting mechanisms in e5 (finance system) are complex and involve using bespoke software. This limits the ability to produce some reports in particular time and date sensitive reports. With the introduction of the Billing Module (stated above) later next year, we hope to be able to produce better quality information from ContrOCC (Social Care Case Management System). We are also working to move the e5 data into a data warehouse and use PowerBi for our reporting tool during the course of next year.
- progressing the implementation of paperless Direct Debit (DD) functionality, which will make it easier for clients to sign-up for DD collection. As shown above, this has a major impact on payment levels, and we propose that DD be promoted and marketed as the default payment channel for collecting social care charges.

- visibility of debts is now shared with ASC service teams and budget holders monthly, with some teams actively engaging with service users (or their representatives) regarding debt levels and payment activity.
- FOS and the People Directorate are planning to further explore how communication with clients in respect of their financial obligations for care provision can be improved. Evidence suggests that when both care and financial matters are discussed together, clients often fail to retain the financial impact at such a life-changing moment. Consideration needs to be given to introducing a separate financial discussion with service users where the potential financial impact of their care decisions can be clearly explained.
- Delays in client engagement with the financial process are also leading to delays in issuing service invoices. This has resulted in clients receiving large initial bills covering several weeks or months of service. Council policy does permit for a full cost invoice to be produced if a financial assessment is not completed within 4 weeks. However, the ongoing issues has resulted in some assessments taking much longer than this timescale, with cases placed on-hold while awaiting financial information.

14. In addition to the ASC invoiced debt noted above, the Council has a longer-term debt that it recognises of £2.6 million (as @ October 22) relating to Deferred Payment Agreements. In these cases, eligible service users enter into a legal agreement whereby a charge is placed against property by the Land Registry to secure the Council's debt. During the lifetime of the loan, daily compounded interest (currently 1.55%) is applied and statements are issued to the service user/representative/estate every 6 months to show the balance of accrued debt. The rate of interest is set nationally. Cases are reviewed annually, and property equity is monitored against current market values. Agreements end on death of the service user or on the sale of property, the loan is repaid in full and the charge against property is lifted. The Council currently has 76 Deferred Payment Agreements in place.

Contact Points

Specific Contact Points for this report

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Background Papers

In the opinion of the proper officer (in this case the Chief Finance Officer) there are no background papers relating to the subject matter of this report.