

## **AUDIT AND GOVERNANCE COMMITTEE**

### **21 JULY 2023**

## **PEOPLE DIRECTORATE – MAY 2023 DEBT POSITION STATEMENT**

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### **Recommendation**

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

### **Introduction**

2. Members will recall that the Committee considered the Debt Position Statement for the People Directorate at its meeting on 30 November 2022 and requested that an update be brought to this meeting.

### **Highlights**

3. Specific key highlights of the People Directorate debt position are as follows:
  - Additional resources are being deployed to address non-payment of Adult Social Care contributions, these include promotion of Direct Debit payments, pro-active chasing at 30 days (from July 2023) and increased communication on the direct impact of non-payment. We are finalising recruitment this month and will launch additional recovery activity for debtors over 30 days by the end of July,
  - As a result of improved work with Adults and Finance, we are now able to process 91% of Financial Assessments within 4 weeks. The target was previously 48% in six weeks (May 22). Since the introduction of the Online Financial Assessment in June 2022, the uptake has increased steadily from 15% to 40% in May 2023. We continue to work to encourage users to use this functionality.
  - A simple paper-free process for sign-up to Direct Debit has been implemented, tested and deployed. This will be the subject of wider comms to service users now it has been tested.
  - Despite positive action leading to significant recovery of debt the headline figure has risen, although the rate of increase has slowed significantly. The rate of increase in the last 7 months has increased by £241k whereas in the 12 months to October 2022 the increase was £3.2 million.

### **Overview of People Directorate Debt Levels**

4. The detail below is consistent with previous reports, however, due to recent restructuring with the Council it should be noted that details in respect of Public Health have now been omitted from this report.

5. The total debt outstanding for the People Directorate as of 31 May 2023, was £24.8 million (compared with £18.8 million in October 2022) of which 43.8% (59.2% in Oct 2022) was aged more than four months old. While the level of increase may appear significant it should be noted that this figure includes a small number of new high valued debts which were raised in May 2023. These include £3.45 million of Bromsgrove Schools PFI charges raised against People Communities (as the historical Service Commissioner). These debts were subsequently adjusted to an instalment arrangement and all accounts are up to date. Debts of £3.4 million for NHS Hereford and Worcester have been raised in recent months and payment is currently being progressed. The debt associated with the Hive (£1.3m) is now at an advanced stage with Legal and we have a high confidence of recovery this year.

6. Given the size of these three debts and the confidence in recovery it would be sensible to consider the headline figure as more realistically £16.65m (once the PFI, Health and Hive debts are removed).

**Table 1: People Directorate Debt Outstanding @ 31 May 2023**

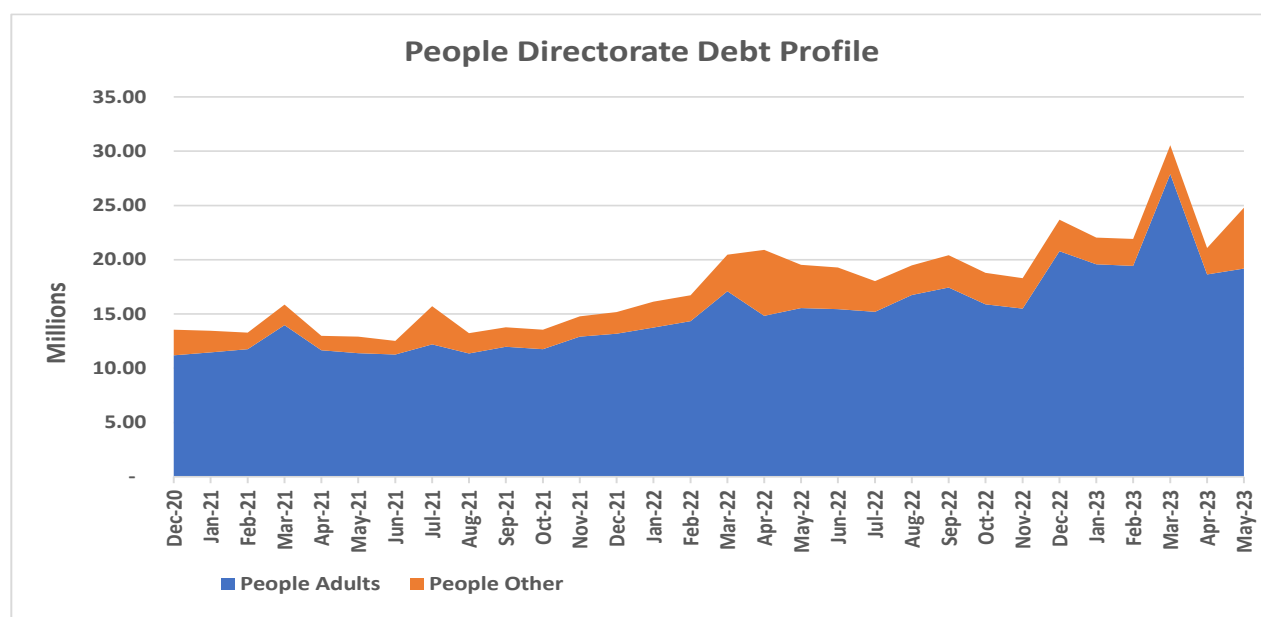
Data @ 31 May 2023	Up To 30 Days	Instalment	31 to 120 Days	121 to 365 Days	>365 Days	Total	No of Customers
People - Adults	2,731,115.83	287,433.63	6,751,070.76	3,550,195.16	5,873,255.65	19,193,071.03	5,724
People - Communities	3,713,933.17		448,072.04	93,544.40	1,350,044.25	5,605,593.86	298
<b>Total</b>	<b>6,445,049.00</b>	<b>287,433.63</b>	<b>7,199,142.80</b>	<b>3,643,739.56</b>	<b>7,223,299.90</b>	<b>24,798,664.89</b>	<b>6,022</b>
% of Total Debts	26.0%	1.2%	29.0%	14.7%	29.1%		

7. The Debt and Legal Team have been responsible for collecting £11m across all Directorates in the period April 2022 – May 2023

8. As can be seen in Tables 2 and 3 (below), debt levels have continued to increase each month although the rate of increase has significantly slowed since Autumn 2022. The spike at year end is due to a high volume of billing activity during this period. This will be addressed with Directorates, and we will work with them to improve the timeliness of billing where specific issues are identified,

9. Further detailed analysis of the ASC debt is provided below. The figure for Communities (in Table 3) includes an amount of £1.3 million which relates to sums invoiced to the University of Worcester in respect of shared costs for The Hive. This invoice continues to be disputed by the University and the Council's Legal Team are currently exploring the options for legal recovery of this debt, but recent legal advice gives confidence that this will be recovered in year.

**Table 2: People Directorate Debt – Trend Analysis**



**Table 3: People Directorate Debt – Trend Analysis Detail**

Rolling 12-Month Period	People Adults	People Communities	Total
Jun-22	15,445,033.00	3,828,380.35	19,273,413.35
Jul-22	15,197,673.91	2,828,481.53	18,026,155.44
Aug-22	16,745,191.61	2,725,099.11	19,470,290.72
Sep-22	17,440,932.97	2,978,543.54	20,419,476.51
Oct-22	15,894,145.91	2,899,894.02	18,794,039.93
Nov-22	15,489,093.86	2,807,208.51	18,296,302.37
Dec-22	20,771,699.63	2,925,258.02	23,696,957.65
Jan-23	19,568,938.46	2,468,075.31	22,037,013.77
Feb-23	19,419,061.36	2,492,897.33	21,911,958.69
Mar-23	27,898,867.81	2,651,409.42	30,550,277.23
Apr-23	18,641,186.19	2,446,304.76	21,087,490.95
May-23	19,193,071.03	5,605,593.86	24,798,664.89

### Adult Social Care (ACS) Debt

10. Charges in respect of ASC are levied in respect of Residential and Nursing, Domiciliary, and Respite Care. The 31 May 2023 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 21.) 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**

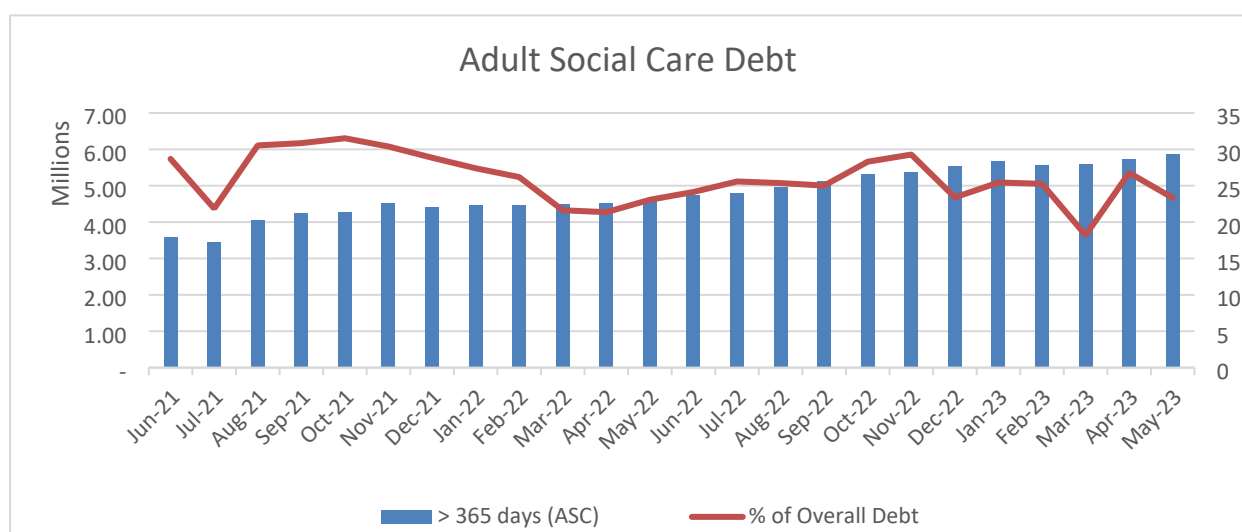
Service Type	Up To 30 Days	Instalment	31 to 120 Days	121 to 365 Days	>365 Days	Total
Residential and Nursing	2,056,997.16	0.00	5,883,120.46	2,294,485.29	2,949,053.69	13,183,656.60
Domiciliary	696,592.51	76.57	824,467.56	1,177,807.29	2,484,455.63	5,183,399.56
Respite	22,769.23	460.69	36,906.65	73,170.67	283,612.35	416,919.59
Installment Arrangements	0.00	286,896.37	0.00	0.00	-9,339.95	277,556.42
Other	-45,243.07	0.00	6,576.09	4,731.91	165,473.93	131,538.86
<b>Total</b>	<b>2,731,115.83</b>	<b>287,433.63</b>	<b>6,751,070.76</b>	<b>3,550,195.16</b>	<b>5,873,255.65</b>	<b>19,193,071.03</b>

11. As previously stated, care is procured by the Council and charges are invoiced monthly in arrears. Table 5 below shows the value of charges raised each month since October 2021. More recent billing activity (regarding those services users NOT paying by Direct Debit) shows that approximately 50% pay within a month of receiving the invoice. The figures, however, do show that over time, the collection rates improve following Debt Team engagement. The overall collection rate of all Adult Social Care customer invoices has increased from 81% (reported in October 2022) to 86% in May 2023. However, for those ASC clients (approximately 37%) who pay by Direct Debit, collection rates are significantly improved at 97%. For service users paying by an alternative method, the collection rates are less successful at 79%, However, this has marginally improved since it was last reported in October 2022, when it was 73%. The recent launch of a web application which allows users to set up Direct Debits should see a further increase in the take up rate which in turn should positively impact the longer- term debt position.

**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	£259,091.33	89.29	£905,228.16	£3,803.88	99.58	£1,513,664.04	£255,287.45	83.13
Nov-21	£2,607,307.00	£191,266.58	92.66	£950,469.94	£8,004.97	99.16	£1,656,837.06	£183,261.61	88.94
Dec-21	£3,103,383.19	£292,791.55	90.57	£1,213,066.74	£50,886.63	95.81	£1,890,316.45	£241,904.92	87.20
Jan-22	£2,720,896.05	£146,266.39	94.62	£932,967.78	£7,120.09	99.24	£1,787,928.27	£139,146.30	92.22
Feb-22	£2,455,874.37	£177,110.76	92.79	£986,213.02	£11,300.96	98.85	£1,469,661.35	£165,809.80	88.72
Mar-22	£3,178,363.29	£287,063.03	90.97	£1,105,852.12	£18,780.51	98.30	£2,072,511.17	£268,282.52	87.06
Apr-22	£2,458,866.74	£244,808.05	90.04	£898,954.59	£7,235.72	99.20	£1,559,912.15	£237,572.33	84.77
May-22	£2,989,319.76	£291,269.53	90.26	£982,341.64	£12,577.01	98.72	£2,006,978.12	£278,692.52	86.11
Jun-22	£3,328,814.78	£283,328.48	91.49	£1,288,566.75	£16,398.78	98.73	£2,040,248.03	£266,929.70	86.92
Jul-22	£2,712,749.00	£269,577.38	90.06	£1,097,007.79	£6,980.57	99.36	£1,615,741.21	£262,596.81	83.75
Aug-22	£2,979,932.05	£408,749.41	86.28	£943,729.54	£28,176.04	97.01	£2,036,202.51	£380,573.37	81.31
Sep-22	£3,357,128.66	£410,634.66	87.77	£1,191,050.49	£46,625.20	96.09	£2,166,078.17	£364,009.46	83.19
Oct-22	£2,625,785.89	£298,448.13	88.63	£988,681.96	£20,989.01	97.88	£1,637,103.93	£277,459.12	83.05
Nov-22	£2,597,579.33	£340,860.05	86.88	£1,084,665.26	£22,121.66	97.96	£1,512,914.07	£318,738.39	78.93
Dec-22	£3,395,312.63	£555,746.57	83.63	£1,249,215.94	£29,341.57	97.65	£2,146,096.69	£526,405.00	75.47
Jan-23	£2,638,782.86	£366,432.89	86.11	£954,121.36	£13,827.58	98.55	£1,684,661.50	£352,605.31	79.07
Feb-23	£2,830,123.59	£670,658.49	76.30	£961,339.28	£24,536.50	97.45	£1,868,784.31	£646,121.99	65.43
Mar-23	£3,626,091.77	£969,690.39	73.26	£1,225,030.74	£72,349.07	94.09	£2,401,061.03	£897,341.32	62.63
Apr-23	£2,523,894.35	£650,414.06	74.23	£1,012,241.57	£94,340.42	90.68	£1,511,652.78	£556,073.64	63.21
May-23	£3,001,222.52	£1,024,757.62	65.86	£1,021,156.74	£58,658.86	94.26	£1,980,065.78	£966,098.76	51.21
	<b>£57,550,320.03</b>	<b>£8,138,965.35</b>	<b>85.86</b>	<b>£20,991,901.41</b>	<b>£554,055.03</b>	<b>97.36</b>	<b>£36,558,418.62</b>	<b>£7,584,910.32</b>	<b>79.25</b>

12. An analysis of the debt over 365 days since June 2021 is at Table 6. This shows that while the value of debt has increased, the percentage of debt over 365 days has reduced as a percentage of the overall debt. Table 7 shows the age of ASC debt over 365 days as of 31 May 2023.

**Table 6: Adult Social Care Age of Debt over 365 days****Table 7: Adult Social Care Age of Debt over 365 days**

Year Raised	Total
2016	140,108.22
2017	318,904.35
2018	350,649.28
2019	581,910.57
2020	1,366,480.62
2021	2,498,014.35
2022	617,188.26
<b>Total</b>	<b>5,873,255.65</b>

13. 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 68.7% of all debt.

14. As previously reported, we were concerned that the impact of Covid 19 and widespread speculation on planned changes to ASC funding were likely to be factors in payment decline. Since our last report, we anticipate that general cost of living increases are also factors in client's propensity to pay. The Council continues to explore action that may be taken to change this behaviour. Table 8 shows the various ASC debtor groups as of 31 May 2023.

**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 Clients	2,607,548.65	287,433.63	2,732,958.69	3,099,851.93	5,541,853.82	14,269,646.72
Health Authority	11,177.34	-	3,917,967.43	189,686.73	69,608.78	4,188,440.28
Commercial Organisation	112,389.84	-	97,459.79	260,656.50	223,302.76	693,808.89
Local Authority	-	-	2,684.85	-	38,490.29	41,175.14
	<b>2,731,115.83</b>	<b>287,433.63</b>	<b>6,751,070.76</b>	<b>3,550,195.16</b>	<b>5,873,255.65</b>	<b>19,193,071.03</b>

15. 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.

16. As shown in Table 9, the Finance Operational Services (FOS) Debt and Legal Teams continue to chase debts outstanding. As previously reported, the Debt Team's focus has been to reverse the ever-increasing debt within Adult Social Care. While there is still some way to go in respect of this objective, it is pleasing to report that these debts have only increased by 1.7% since October 2022. (This compares to an increase of 29.1% between October 2021 and October 2022.) At the same time, the number of Customers with balances outstanding has reduced by 6.5%. Reducing the number of customers allows us to dedicate more time and effort to those remaining.

17. As referenced in our previous report, we are particularly keen to change the behaviour of current clients who continuously default on their contributions. To address this issue, we are in the process of introducing a more rigorous debt-chasing process at 30 days and the Debt Team has been expanded to support this. We are working with the Communications Team to recruit a communications expert to help drive key messages to service users to help change their payment behaviour. Additional resource is also being recruited within Adult Social Care to support Social Workers to change perception and behaviours in respect of assessed care contributions. As previously stated, while over £4.7m (1300 clients) is owed by clients who are still in receipt of service, the Council is not legally permitted to withdraw its provision to these individuals. This is the only area of the debt service where we cannot consider removing services until paid, therefore reducing the opportunities to encourage payment. This will be a major focus of the joint working in the next 12 months.

**Table 9: ASC Individual Debtor Groups**

Debtor Groups - Individuals	No of Debtors	Debt Value	Debt Activity
Current Transactions Only	2281	1,776,209.22	No action required - accounts up to date
Debts with Legal Service	111	2,339,676.27	Legal Action in Progress
Credit or Less than £50	575	- 167,590.45	Consider write off/on
COP Clients	106	1,606,876.76	Pursuing with Financial Representatives
Deceased >12 months	197	764,188.48	To be reviewed on case by case basis
Deceased < 12 Months	365	1,374,980.89	Pursuing with Executors
Current Client with multiple 2022 and Aged Debts	504	2,413,144.17	Chasing action continues with little success
Current Client with multiple 2022 Debts	693	2,296,633.41	Chasing action continues
Not Current Client Debts Pre-Dating 2019 Only	126	114,692.38	Consider write off action
Not Current Client Debts Aged 2019 and March 2022	440	544,729.15	Chasing action continues with little success
Not Current Client 2022 and Aged Debts	115	510,119.77	Pursuing with Client
Not Current Client 2022 Debts Only	413	695,986.67	Pursuing with Client
<b>Total</b>	<b>5926</b>	<b>14,269,646.72</b>	

18. In relation to pre-invoice client engagement, in the last 6 months we have reviewed and changed the financial assessment process. Online financial forms are now reviewed and where possible, completed on day of receipt. Where no online form is received, clients are contacted within 48 hours of the referral by the Client Contributions Assessment Team. Clients are immediately advised of the full cost of their care and the need for a Financial Assessment to be completed to reduce their contribution. A link and QR code is included for the online form. here a person does not engage, a non-disclosure letter is issued after 4 weeks. This prompts a full charge invoice to be issued at the next billing cycle unless we are made aware of any capacity or safeguarding issues.

19. Work is currently ongoing to determine whether financial assessments could be completed before care begins. The Client Contribution Assessment Team is also working with colleagues in People's Directorate to improve information and advice regarding the financial assessment and paying for care at all customer touchpoints throughout ACS.

20. FOS teams are continuing to work on other initiatives to improve client engagement and increase payment levels. Specific projects and developments, as well as legal action noted above, include:

- 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, we hope to be able to produce better quality information from ContrOCC (Social Care Case Management System). We are working with IT and are able to take a monthly extract of data from E5 into a separate database and we are developing more sophisticated reporting using Power BI but we have some way to go yet.
- Implementation of technology to improve payment collection via telephone enabling, in particular, the Debt Team to collect and confirm receipt of payment during a telephone call with the customer.

21. In addition to the ASC invoiced debt noted above, the Council has a longer-term debt that it recognises of £2.8 million (as at May 23) 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 3.18%, and 3.43% from 1st July 2023) 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 79 Deferred Payment Agreements in place.

22. Nationally in 2021/22, around 1 in 7 new and outstanding DPAs (both by number and value) resulted in the customer paying the care provider for their care and the LA loaning them the cost of care in instalments (loan type). The remainder were traditional DPAs where the LA will pay the care home directly and will defer part of the charge against the value of the property.

## **Contact Points**

### Specific Contact Points for this report

Phil Rook, Chief Finance Officer, 01905 846300, [prook@worcestershire.gov.uk](mailto:prook@worcestershire.gov.uk)

## **Background Papers**

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