

## **AUDIT AND GOVERNANCE COMMITTEE**

### **8 MARCH 2024**

## **PEOPLE DIRECTORATE – JANUARY 2024 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.**

### **Highlights**

- 2. Specific key highlights of the People Directorate debt position are as follows:**
  - As at 31 January 2024, the People Directorate's debt headline figure has reduced by £5.9m (since last reported in July 2023). In particular the Adults debt figure has reduced from £19.1m (as reported in July 2023) to approximately £16m.
  - The process to pursue and recover Adult Social Care debts aged 30 days and over became operational in August 2023. Although this work is still in the early stages, it is beginning to show signs of progress, with collection rates for current Non- Direct Debit paying customers improving over the last 6 months (see Table 5.).
  - New payment by phone functionality was deployed in December 2023 to improve customer interaction and aid recovery of debt. To date payments totalling £250k have been processed by the Debt Team using this method.
  - In January 2024 96% of Financial Assessments were completed within 4 weeks (91% in May 2023). Usage of the Online Financial Assessment form is currently between 40- 50%. Work is ongoing to encourage, and increase take up.
  - A new debt policy for both internal and external debt processes was launched in December 2023 which supports the Council' income and debt recovery process.

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

- 3. The detail below is consistent with previous reports.**
- 4. The total debt outstanding for the People Directorate as of 31st January 2024, was £18.9 million (compared with £24.8 million in May 2023) of which 65.5% (43.8% in May 2023) was aged more than four months old. It should be noted that this figure includes a small number of new high value debts which were raised in January 2024. These total £1.2 million for Schools PFI charges raised against People Communities (as the historical Service Commissioner), and a charge to a new homes' property developer. Debts of £0.44 million for NHS have been raised in recent months and payment is currently being progressed. The debt associated with the Hive (£1.2m) remains at an advanced stage with Legal Services and we have a high confidence of recovery.**

**Table 1: People Directorate Debt Outstanding @ 31 January 2024**

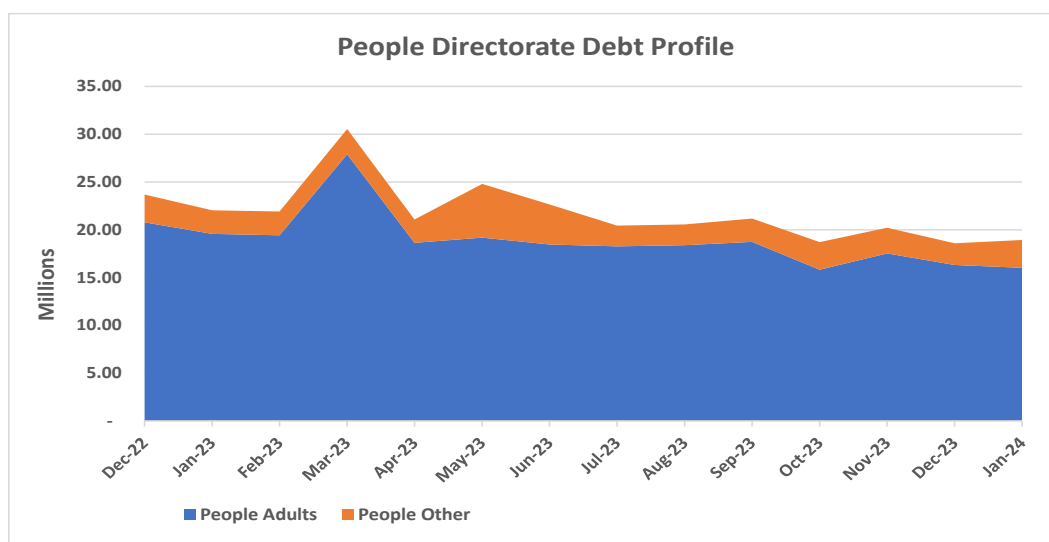
Data @31 Jan 2024	Up To 30 Days	Instalment	31 to 120 Days	121 to 365 Days	>365 Days	Total	No of Customers
People - Adults	2,583,104.45	279,666.47	2,356,054.12	4,224,367.80	6,581,709.35	16,024,902.19	5,699
People - Communities	1,144,738.20		157,496.06	332,612.71	1,265,848.71	2,900,695.68	302
<b>Grand Total</b>	<b>3,727,842.65</b>	<b>279,666.47</b>	<b>2,513,550.18</b>	<b>4,556,980.51</b>	<b>7,847,558.06</b>	<b>18,925,597.87</b>	<b>6,001</b>
% of Total Debts	19.7%	1.5%	13.3%	24.1%	41.5%		

5. The Debt and Legal Team have been responsible for assisting the collection of more than £20m across all Directorates in the period June 2023 to January 2024 (£11m for the period April 2022 – May 2023).

6. As can be seen in Tables 2 and 3 (below), debt levels have stabilised and begun to reduce since our last report in May 2023. Specifically, we are pleased to report that Adult Debts have reduced by £3.1 million (16.5%) since May 2023.

7. Further detailed analysis of the ASC debt is provided below.

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



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

Rolling 12-Month Period	People Adults	People Communities	Total
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
Jun-23	18,472,741.27	4,187,362.66	22,660,103.93
Jul-23	18,277,814.19	2,153,420.80	20,431,234.99
Aug-23	18,388,322.08	2,166,108.27	20,554,430.35
Sep-23	18,747,392.37	2,427,872.94	21,175,265.31
Oct-23	15,816,234.86	2,890,894.18	18,707,129.04
Nov-23	17,532,936.26	2,687,949.88	20,220,886.14
Dec-23	16,309,033.87	2,280,444.94	18,589,478.81
Jan-24	16,024,902.19	2,900,695.68	18,925,597.87

## Adult Social Care (ASC) Debt

8. Charges in respect of ASC are levied in respect of Residential and Nursing, Domiciliary, and Respite Care. The January 2024 debt position for each of these groups can be seen in Table 4. (This debt position does not include Deferred Payment Agreements, which are referred to in paragraph 20.) 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	1,803,823.40	0.00	1,551,493.38	2,946,974.18	3,409,403.33	9,711,694.29
Domiciliary	849,698.66	0.00	643,977.60	1,182,690.22	2,835,063.57	5,511,430.05
Respite	10,639.26	460.69	53,543.83	86,460.13	259,254.08	410,357.99
Installment Arrangements	-86,265.93	279,205.78	103,138.19	0.00	-1,062.66	295,015.38
Other	5,209.06	0.00	3,901.12	8,243.27	79,051.03	96,404.48
<b>Total</b>	<b>2,583,104.45</b>	<b>279,666.47</b>	<b>2,356,054.12</b>	<b>4,224,367.80</b>	<b>6,581,709.35</b>	<b>16,024,902.19</b>

9. 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 December 2022 together with the value and percentage of payments made by Direct Debit and Non-Direct Debit paying customers. As previously highlighted to the Committee, payment by Non-Direct Debit customers has been declining in recent years and we have implemented a new 30-Day Recovery Process (since August 2023) and improved Payment by Phone arrangements (in November 2023). While these changes are still in their infancy, we are pleased to report that the value of payments made by Non-Direct Debit customers has increased by 12%.

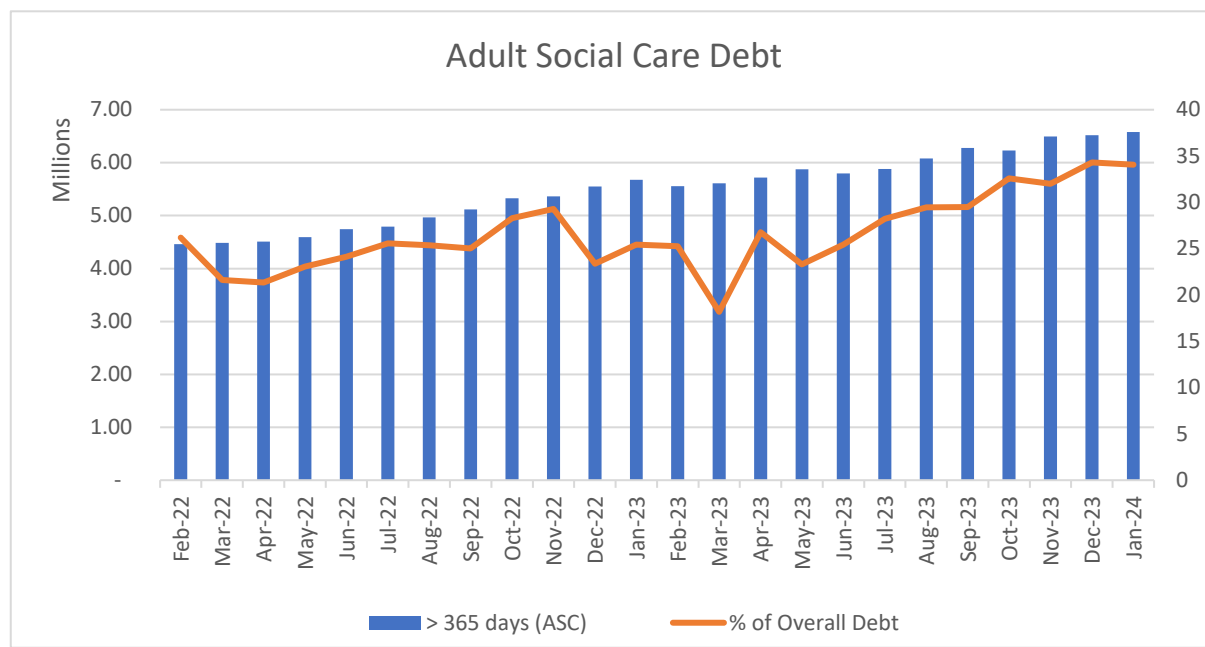
10. Activity to increase the take-up of Direct Debit is continuing, however progress remains slow due to the general scepticism of the customer group to the deployment of electronic payment processing.

**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
Dec-22	£3,230,761.95	£391,195.89	87.89	£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>£17,850,877.04</b>	<b>£4,073,149.34</b>	<b>77.18</b>	<b>£6,423,105.63</b>	<b>£293,054.00</b>	<b>95.44</b>	<b>£11,592,322.09</b>	<b>£3,944,646.02</b>	<b>65.97</b>
<b>New 30 Day Non-DD Reminder Process Introduced</b>									
Jun-23	£3,769,569.62	£616,890.50	83.63	£1,418,885.10	£111,867.90	92.12	£2,350,684.52	£505,022.60	78.52
Jul-23	£3,349,259.19	£437,927.58	86.92	£1,034,166.39	£29,245.60	97.17	£2,315,092.80	£408,681.98	82.35
Aug-23	£2,886,231.05	£500,963.06	82.64	£1,058,119.48	£37,109.57	96.49	£1,828,111.57	£463,853.49	74.63
Sep-23	£3,804,729.02	£603,273.06	84.14	£1,304,124.89	£28,999.58	97.78	£2,500,604.13	£574,273.48	77.03
Oct-23	£2,783,018.67	£365,402.19	86.87	£1,059,951.20	£25,685.22	97.58	£1,723,067.47	£339,716.97	80.28
Nov-23	£3,169,485.73	£627,421.23	80.20	£1,109,612.14	£34,508.29	96.89	£2,059,873.59	£592,912.94	71.22
	<b>£19,762,293.28</b>	<b>£3,151,877.62</b>	<b>84.05</b>	<b>£6,984,859.20</b>	<b>£267,416.16</b>	<b>96.17</b>	<b>£12,777,434.08</b>	<b>£2,884,461.46</b>	<b>77.43</b>

11. An analysis of the debt over 365 days since February 2022 is at Table 6. This shows that both the value of debt and the percentage of overall debt over 365 days has increased, this is a result of an increasing volume of high value cases currently being pursued through Legal channels. Table 7 shows the age of ASC debt over 365 days as of 31 January 2024.

**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	32,054.76
2017	194,346.02
2018	240,305.31
2019	489,696.31
2020	1,072,218.56
2021	1,763,334.92
2022	2,789,753.47
<b>Total</b>	<b>6,581,709.35</b>

12. 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 60.6% of all debt.

13. As previously discussed, we have been keen to better understand the factors that are influencing client's propensity to pay. The feedback from clients to the Debt Team has predominately been that clients simply do not appreciate that payment for these services is required. We are currently discussing with Adult Social Care colleagues how the financial implications of care can be better communicated to service users and their families/representatives.

**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	2,580,015.77	261,121.76	1,935,767.62	3,793,452.68	6,203,310.41	14,773,668.24
Commercial Organisation	-5,768.82	18,544.71	366,027.13	105,813.46	364,907.66	849,524.14
Health Authorities	9,107.50	0.00	53,659.37	321,955.54	11,784.57	396,506.98
Local Authorities	-250.00	0.00	600.00	3,146.12	1,706.71	5,202.83
	<b>2,583,104.45</b>	<b>279,666.47</b>	<b>2,356,054.12</b>	<b>4,224,367.80</b>	<b>6,581,709.35</b>	<b>16,024,902.19</b>

14. 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.

15. Table 9 shows the overall Adult Social Care debt at 31st January 2024 was £14.77m which when adjusted for unallocated income; accounts that are up to date; and items currently the subject of legal process gives a current customer debt total of £9.82m (£10.15m in May 2023). While this is a modest reduction 3.25% it shows a significant reversal of the month on month increases that have been reported since October 2021. The number of Customers with balances outstanding has again reduced by 4.5% to 5,658. Reducing the number of customers allows us to dedicate more time and effort to those remaining.

16. In respect of efforts to change the behaviour of current clients who continuously default on their contribution, we can confirm that the 30-day process has been live since August 2023 and a communications expert to help drive key messages to service users to help change their payment behaviour has been recruited. The additional resource is still to be recruited within Adult Social Care to support Social Workers to change perception and behaviours in respect of assessed care contributions. Currently there are 1,150 clients who owe £4.6m (1,300 clients, £4.7m debts in May 2023) 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 continue to be a focus of the joint working in the coming months.

**Table 9: ASC Individual Debtor Groups**

Debtor Groups	No of Debtors	Debt Value	Debt Activity
Current Transactions Only	2,476	1,814,562.17	No action required - accounts up to date
Debts with Legal Service	169	3,011,708.56	Legal Action in progress
Credit or Less than £50	245	- 141,896.68	Consider write off/on
COP Clients	116	1,683,412.74	Pursuing with Financial Representatives
Deceased >12 months	267	882,473.34	To be reviewed on a case by case basis
Deceased < 12 Months	234	1,007,435.79	Pursuing with Executors
Current Client with Multiple 2022 and Aged Debts	476	2,358,746.34	Chasing action continues with minimal success
Current Client with Multiple 2022	675	2,251,755.25	Chasing action continues
Not Current Client Debts Pre-Dating 2019 Only	7	8,463.90	Consider write off action
Not Current Client Debts Aged 2019 and Jan 2023	450	596,831.61	Chasing action continues with minimal success
Not Current Client 2022 and Aged Debts	102	400,104.14	Pursuing with Client
Not Current Client 2022 Debts only	441	776,725.12	Pursuing with Client
ASC Income Not Allocated		123,345.96	
<b>Total</b>	<b>5,658</b>	<b>14,773,668.24</b>	

17. Regarding the assessment and charging process, Online Financial Assessment forms continue to be reviewed and where possible, completed on day of receipt. Where no online

form is received, clients are contacted within 48 hours of the referral to the Client Contributions Assessment Team.

18. Work is currently ongoing to determine whether Financial Assessments could be completed before care begins, thereby reducing time elapsed between care starting and the commencement of the charging process. A proposal to change the Financial Assessment referral in all new packages of care is in discussion. Benefits of this solution are likely to include:

- Clients can make informed decisions about taking care knowing financial implications.
- First invoice for care would be received much sooner after care commences, enabling clients to better manage the costs.
- Time and money would not be wasted implementing packages of care, that are then cancelled once cost is known.

19. The Debt team is 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:

- Activity to improve the current reporting from e5 (finance system) using Power BI is ongoing and we hope to have new prototype reports to test and use with the next few months. This should provide more responsive and meaningful access to data to drive future decision making.
- We are progressing a project to issue future documentation to clients via email rather than post. This will have a cost benefit and improve access and response times for clients.

20. In addition to the ASC invoiced debt noted above, the Council has a longer-term debt that it recognises of £3.1 million (as at Jan 2024) 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 4.65% from 1st January 2024) 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 83 Deferred Payment Agreements in place.

## **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.