

Cabinet Committee on Performance Improvement

Meeting to be held on 28th July 2015

Report of the Head of Exchequer Services

Electoral Divisions affected: All

Debt Management Recovery Plan Update Report

(Appendices 'A' and 'B' refer)

Contact for further information:

Kate Lee, (01772) 531733, Head of Exchequer Services,
kate.lee@lancashire.gov.uk

Executive Summary

In October 2013 a Performance Indicator Recovery Plan was presented to Cabinet Committee on Performance Improvement relating to the average days taken to receive payment and also contained details about the position on outstanding debts owed to the County Council.

In March 2015 an update report was provided to the Cabinet Committee on Performance Improvement as the level of outstanding debts was still highlighted as unacceptable and increasing. Members requested that a further update report on the Debt Management Recovery Plan be presented at July's meeting as significant progress was expected during the period March – June 2015.

Recommendation

The Cabinet Committee on Performance Improvement is asked to review and comment on the report.

1. Background and Advice

In October 2013 a Debt Management Performance Indicator Recovery Plan was presented to the Cabinet Committee on Performance Improvement (CCPI) relating to the average days taken to receive payment, but also contained details about the position on outstanding debts owed to the County Council. This report identified a number of actions that needed to take place and provided deadlines.

An update report on the Debt Management Performance Indicator Recovery Plan was provided to CCPI in March 2015 which provided a list of actions that were due to be completed by June 2015. The action points that were presented and discussed are set out below:

- Development of a Corporate Income and Debt Management Policy
- Charging Policy for Care
- Development of Debt Strategies and subsequent re-configuration of IT systems
- Direct Debit Take Up/Financial Assessment Process
- Paperless Direct Debit
- Clarification of Roles with Legal Services

In addition to the ongoing work above, additional actions were also underway to support the recovery plan, these are detailed below:

- Establishment of the Debt Management Programme Board
- Additional Resources allocated to the Debt Management Team
- Utilising information technology to improve collection success
- Increased resources available to Budget Holders

At the meeting, Members requested a further update report in July 2015.

2. Update on Debt Management Performance Indicator Recovery Plan

a) Development of Corporate Income and Debt Management Policy

A new Income and Debt Management Policy, Processes and Responsibilities document (Appendix 'A') was approved by the Deputy Leader and was effective from 1st April 2015. This was in advance of the estimated time of June 2015 shared with CCPI in March 2015.

The new policy aims to:

- Incorporate elements of commercial best practice appropriate to local authority circumstances (credit checks, payment in advance, timely invoicing, regular monitoring, swift remedial action, cessation of discretionary services).
- Recognise the discrete types of debt which face the County Council and targets effort and resources specifically and effectively at their underlying causes in an effort to ensure debt is raised appropriately in the first instance.
- Improve management information which shows a more accurate position of unsecured debt and taking into account factors 'out of our control', such as the time it takes to settle deceased estates.
- Provide a clear framework for effective income and debt management which moves towards working with and educating services to ensure basic requirements are complied with when raising debt in the first instance.
- Incorporate a fully revised and updated debt recovery and write off procedure.

The Debt Management Policy, Processes and Responsibilities has been shared and publicised in the following way with key stakeholders involved in ensuring it is successfully implemented:

- Distributed to all Heads of Service and above, as a key principal of the document is the accountability and responsibility of a Head of Service (as

Budget Holder) for the recovery of debts accrued by their service. Mandatory briefing sessions have been held surrounding the key principles of the Policy, Processes and Responsibilities for all Heads of Service and above at the end of June 2015.

- Shared with the Chair of the Budget Scrutiny Working Group. She asked that the document be shared with the Members on this group and they would provide feedback and request the Head of Exchequer Services to attend a future meeting if required.
- All staff within Financial Resources and several members of the Legal Services Team have had a copy of the Policy, Processes and Responsibilities shared with them in addition to attending a mandatory briefing session.
- Publicised on the Debt Management intranet page.

The implementation of the new policy will be supported by changes that are currently being made to the IT systems that are used for Debt Management.

The Debt Management Policy, Processes and Responsibilities will be reviewed in 6 months with amendments to be delegated to the Interim Director of Financial Resources.

b) Charging Policy for Care

The requirement for an updated charging policy for adult social care reflects the need to publicise changes brought about through the County Council's implementation of the Care Act and to better explain and support prospective service users preparing to receive care services (funding care, undergoing a financial assessment, making payments where a contribution is required, advising the County Council about changes in circumstances).

There is no specific update on progress on this action point, as a new charging policy for care will be developed as part of the County Council's timetable for the implementation of the Care Act and will include consideration of the avenues available for limiting the incidence of debt (promoting/incentivising Direct Debit, deferred payment arrangements) and preventing payment arrears from escalating (early intervention on non-payment).

c) Development of Debt Strategies and subsequent re-configuration of IT systems

The new Accounts Receivable IT system is due to "go live" on 17th July 2015. This is a month later than anticipated due to a delay in the availability of the test system. The delay was essential as the testing phase of the project is critical as there is a need to ensure that during the life of a debt the appropriate action is taken and that correct contact is made with the debtor.

A significant amount of work has taken place to ensure that correspondence is efficient and cost effective, with the debtor receiving the lowest amount of different envelopes on a daily basis as is possible.

It is anticipated that the automated system for sending out reminders, statements and letters, combined with the improved classification of debtors using the newly

developed debt strategies, should enable the Authority to recover debts more promptly which subsequently will improve the probability of collection.

d) Direct Debit Take Up/Financial Assessment Process

A key factor in the collection of care debt is the take-up of direct debits. All clients are encouraged to sign up to a direct debit mandate in order that care debt can be collected promptly. Direct debit take up has started to fall over the last 6 months and is largely attributable to the implementation of the care systems replacement that went live in June 2014. Issues in implementing the new system resulted in some incorrect bills and consequently some clients cancelled these. A significant amount of work has been in place to overcome the issues of the systems implementation and we are now in a position where there is greater confidence in the billing and therefore it is hoped that more clients will choose direct debit as the preferred method of payment. A full review of the Direct Debit process has recently commenced and is part of a larger project looking into methods of payment in and out of the County Council.

The speed of financial assessments is also another key factor in ensuring that clients are aware of care costs as early as possible and that they are charged accordingly. Since the last CCPI meeting, the financial assessment team has transferred back to the County Council from the previous strategic partnership, OCL, and work is underway to ensure that effective processes are in place. A process review within the service area will commence once the IT system is implemented.

e) Paperless Direct Debit

Paperless direct debit capabilities are currently under development and will be progressed once the new debt strategies have gone live in July 2015 in conjunction with the payments and income methods project detailed above.

f) Clarification of Roles with Legal Services

The implementation of the new debt strategies on 17th July 2015 will result in an increased and automated referral of some cases to Legal Services for appropriate cases.

The current debt strategies do not refer Care Debts automatically to Legal Services due to the sensitive nature of care debts to potentially vulnerable adults. However, following a review of the "Top 100" Care Debts owing to the County Council a Care Debt Review Board has been established that will review large outstanding debts and determine appropriate action, which may include referral to Legal Services.

3. Update on Additional Action Points/Support to the Recovery Plan

a) Establishment of the Debt Management Programme Board

The Debt Management Programme Board has continued to meet on a fortnightly basis to ensure that work to ensure key milestones are achieved. The Board

contains members of Exchequer Services, Internal Audit and BTLs. The Board has taken key decisions to ensure all work streams of the project are aligned and identified where work streams impact on each other. The Board has proved to be a key tool in progressing the various work streams and will continue to be held until the IT systems are fully implemented.

b) Additional Resources allocated to the Debt Management Team

Additional temporary resources were appointed to complete a "cleanse and migrate" process prior to moving the existing debt information from the current Accounts Receivable system to the newly implemented system. The team have focussed on older debts and have contacted debtors by telephone to ascertain current circumstances and form a decision on whether an invoice should be assigned to a new strategy, referred to the Debt Collection Agency (DCA) or Legal Services for recovery action or be recommended for write off.

c) Utilising information technology to improve collection success

The successful implementation of the IT systems that will "go-live" on 17th July will result in the following:

- Effective debt reporting to be produced at an appropriate level of detail, by client and in a timely manner.
- Improved and more automated debt collection strategies resulting in an overall greater automation of the entire debt collection process. This will include progressing debt through to debt collection agencies, legal action and write off. The redesign of the debt strategies will result in a greater differentiation between cases within Accounts Receivable which will assist in prioritising/targeting collection effort more effectively.
- Improved letter and email templates to be distributed to debtors
- Enhanced printing and enveloping procedure that will collate letters in certain circumstances, consolidate summary information and create statements. This should result in debtors receiving clearer information on the debt that they owe to the County Council.
- Use of automated Oracle workflow functionality to manage internal invoice query resolution, freeing collector resources.
- Movement towards paperless direct debits wherever possible to secure direct debit payment agreements immediately (whilst in discussion with the debtor by phone) thus removing the opportunity for default associated with the current requirement to exchange of paperwork by post.

d) Increased resources available to Budget Holders

The Income and Debt Management Policy, Processes and Responsibilities highlights the importance of Budget Holders/Heads of Service as a key stakeholder who is accountable for debt recovery in their service area. As detailed earlier in this report Heads of Service and above have had a copy of the Policy document shared with them in addition to a follow up mandatory training session.

A critical tool that is required to enable Budget Holders to complete their role is the reports that can be provided to them from Oracle Accounts Receivable. Following the "go-live" of the new IT system Budget Holders will be provided with reports that provide clear information on their outstanding debt position. It is anticipated that in the future these reports will be available to Budget Holders in conjunction with their monthly budget monitoring reports.

4. Outstanding Debt Information

Appendix 'B' provides additional information on the current position of key performance indicators in relation to Debt Management:

- Outstanding Debt Balance Analysis
- Outstanding Debts over 180 days (6 months)
- Bad Debt Provision Analysis

The data aims to provide an overall picture of the trends within the outstanding debt held by the County Council. It is highly important that we thoroughly understand the underlying themes and trends behind the outstanding debts as this should result in us being able to target particular areas and review our recovery process to enhance the probability of recovery.

Consultations

N/A

Implications:

This item has the following implications, as indicated:

Risk management

The outcome of failing to review, recognise and conclude uncollectable cases in a timely way is a relentlessly increasing burden of cases on in-house debt collection officers. A high volume of live cases comprises the ability of collectors to respond to new cases quickly and results in an enlarged and unmanageable debt stock which overestimates the value of income the County Council is likely to recover. The new Income and Debt Management Policy, Processes and Responsibilities in addition to new and automated IT systems and strategies, will support the increased probability of debt recovery.

List of Background Papers

Paper	Date	Contact/Tel
Quarterly Corporate Performance Monitoring and Improvement Quarter 3 2014/15 Report	10 th March 2015	Lisa Kitto/x34757
Income and Debt Management Policy Processes and Responsibilities April 2015	1 st April 2015	Kate Lee/x31733