Lancashire County Council

Cabinet Committee on Performance Improvement

Tuesday, 10th March, 2015 at 9.30 am in Cabinet Room 'C' - The Duke of Lancaster Room, County Hall, Preston

Supplementary Agenda

We are now able to enclose, for consideration at the next meeting of the Cabinet Committee on Performance Improvement on Tuesday, 10th March, 2015, the following information which was unavailable when the agenda was despatched.

Part I (Open to Press and Public)

No.	**Item**	
4.	**Quarterly Corporate Performance Monitoring and Improvement Quarter 3 2014/15 Report**	(Pages 1 - 14)

I Young
County Secretary and Solicitor

County Hall
Preston

Lancashire County Council

Cabinet Committee on Performance Improvement
Meeting to be held on 10 March 2015

Part I

Electoral Division affected:
All

Quarterly Corporate Performance Monitoring and Improvement – Quarter 3 2014/15 Report
(Appendices 'A' and 'B' refer)

Contact for further information:
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Executive Summary

Corporate Performance Monitoring for quarter 3 2014/15 (October – December 2014) details that 70% of the total number of Directorate Key Performance Indicators, reported across each of their quarter 3 Quality of Service Reports, are performing relatively well and are on track/target and/or improving.

Monitoring reveals 3 areas of work/performance should be highlighted to the Cabinet Committee, for further information, explanation and (in some cases) future examination (the first 2 performance areas have previously been presented to recent meetings and are also scheduled to be reviewed and scrutinised at future Cabinet Committee meetings - see Appendix 'A'). These performance areas are:

- The proportion of Children Looked After (CLA) with an up-to-date Health Assessment. This increased in quarter 3 (72.6%) compared with the previous quarter end (66.6%). The underperformance of this indicator was a cause for concern as figures for this indicator had been reducing every month since December 2013. A recovery plan was presented to the Cabinet Committee on 1 October 2014 and an update report to the meeting on 11 December. A further report containing information regarding current performance and the progress of actions being taken to address the issues identified is scheduled for a future meeting (June/July).

- Deprivation of liberty (DoLs) criteria changed significantly in March 2014 following the Supreme Court ruling in respect of Cheshire West and Surrey Councils. As a consequence the number of DoLs applications has risen from a Q3 average of 31 per month in 2013/14 to 279 per month in 2014/15. Our application rates are still far outstripping our current resources, but we are taking actions to address this and are making future provision to address the workload. The Department of Health recently released figures showing the number of DoLs applications made in each council for the second quarter of 2014/15, in which Lancashire had the 12th largest number out of 132 local authorities who submitted a return. A report was presented to the Cabinet

Lancashire County Council

Committee on 4 February 2015, with an update/progress report to follow later in the year (potentially November 2015).

- The total debt owed to the County Council was £37.44m at the end of December 2014. This is an increase of £7.1m since the end of the previous quarter. The majority of debt owed after 6 months relates to care. A considerable amount of work is underway to reduce the debt and a recovery plan is set out at Appendix 'B'.

Recommendation

The Cabinet Committee on Performance Improvement is asked to:

(i) comment on the reported performance for quarter 3; and

(ii) review, comment and advise on the information and actions detailed at Appendix 'B'.

Background and Advice

Corporate performance has previously been reported against a suite of measures which best represent and monitor the County Council's delivery of the objectives and priorities in our Corporate Strategy – known as the corporate scorecard.

The previous corporate strategy had a timescale up to April 2013 and, although a new 'Strategic Direction' document was approved by Cabinet on 5 September 2013, additional details in relation to specific performance measures have yet to be detailed and are currently being developed.

However, in continuing to undertake regular corporate monitoring of performance across the authority as a whole, and produce quarterly reports and analysis of corporate performance, other arrangements have been implemented.

Each Directorate now produces a quarterly Quality of Service report, which gives an overview of performance against agreed headings and parameters. In addition to monitoring and providing progress updates against budgets, projects and other future developments, each Directorate's Quality of Service report gives details of performance against their Key Performance Indicators for that quarter.

This amalgamated suite of indicators for quarter 3 has been used to provide a corporate overview of performance report.

Monitoring across these quarter 3 indicators reveals 70% are performing relatively well, and are on track/meeting targets and/or improving.

Three areas of work/performance are highlighted to the Cabinet Committee for further/future information, explanation and examination. These are:

- The proportion of CLA with an up-to-date Health Assessment. This increased in quarter 3 (72.6%) compared with the previous quarter end (66.6%). The underperformance of this indicator was a cause for concern as figures for this indicator had been reducing every month since December 2013. A recovery plan was presented to the Cabinet Committee on 1 October 2014 and an update report to the 11 December 2014 Cabinet Committee meeting. A further report containing information regarding current performance and the progress of actions being taken to address the issues identified is scheduled for a future meeting (June/July – see Appendix 'A').

- Deprivation of liberty criteria (DoLs) changed significantly in March 2014 following the Supreme Court ruling in respect of Cheshire West and Surrey Councils. As a consequence the number of DoLs applications has risen from a Q3 average of 31 per month in 2013/14 to 279 per month in 2014/15. Our application rates are still far outstripping our current resources, but we are taking actions to address this and are making future provision to address the workload. The Department of Health recently released figures showing the number of DoLs applications made in each council for the second quarter of 2014/15, in which Lancashire had the 12th largest number out of 132 local authorities who submitted a return. A report was presented to the Cabinet Committee on 4 February 2015, with an update/progress report to follow later in the year (potentially November 2015 – see Appendix 'A').

- The total debt owed to the County Council was £37.44m at the end of December 2014. This is an increase of £7.1m since the end of the previous quarter. The majority of debt owed after 6 months relates to care. A considerable amount of work is underway to reduce the debt and a recovery plan is at Appendix 'B'.

Consultations

Members of Management Team(s) have previously received the information in this report.

Implications:

This item has the following implications, as indicated:

Risk management

No significant risks have been identified in relation to the proposals contained within this report.

List of Background Papers

Paper	Date	Contact/Directorate/Tel
Report to the Cabinet Committee on Performance Improvement – 'Quarterly Corporate Performance - Quarter 2 2014/15 Report	11 December 2014	Michael Walder, Corporate Policy & Performance Team, 01772 533637
Report to the Cabinet Committee on Performance Improvement – 'Quarterly Corporate Performance - Quarter 1 2014/15 Report	1 October 2014	Michael Walder, Corporate Policy & Performance Team, 01772 533637.
Report to the Cabinet Committee on Performance Improvement – 'Quarterly Corporate Performance - Quarter 4 2013/14 Report	9 June 2014	Michael Walder, Corporate Policy & Performance Team, 01772 533637
Report to the Cabinet Committee on Performance Improvement – 'Quarterly Corporate Performance - Quarter 3 2013/14 Report	4 March 2014	Michael Walder, Corporate Policy & Performance Team, 01772 533637.

Appendix 'A'

Cabinet Committee on Performance Improvement – Proposed items 2015/16

Date of Meeting*	**Schedule/Proposed Agenda Items**
10 March 2015 9.30am The Duke of Lancaster Room (formerly Cabinet Room C)	• Q3 Corporate PM report - & recovery plan(s) • Educational attainment (KS4) • Procurement • Customer Access including Blue Badge & Tele Talk update
8 June 2015	• Q4 Corporate PM report - & recovery plan(s) • Adult Learning PIAP (quarterly report) • CLA Health assessments Timing dependent on performance and availability of data/information – could be an item at July meeting? • BTLS
28 July 2015	• HR report • Waste Management (quarterly report) • Corporate Complaints (annual report) Could need to be an item at next (Oct) meeting
5 October 2015	• Q1 Corporate PM report - & recovery plan(s) • Procurement • CLA Educational attainment • Waste Management (quarterly report)
30 November 2015	• Q2 Corporate PM report - & recovery plan(s) • Customer Access • DoLs update Could need to be an item at next/rearranged meeting • BTLS
1 February 2016	• Waste Management (quarterly report) • Procurement
7 March 2016	• Q3 Corporate Performance report - & recovery plan(s) • BTLS

* All CCPI meetings will take place in The Diamond Jubilee Room - formerly Cabinet Room 'B' - County Hall at 2pm unless stated otherwise.

Appendix 'A'

Cabinet Committee on Performance Improvement – Proposed items 2015/16

Schedule to be confirmed: 30/11/15 date problematic for Q2 Quality of Service reporting – date may need changing.
1 February 2016 & 7 March 2016 – further items to be identified.

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Performance Indicator Recovery Plan

Performance Indicator Description:

Debt Owed to the County Council

Previous Period (September 2014)	**Current Performance (December 2014)**
£30.34m	£37.44m

Introduction / Context

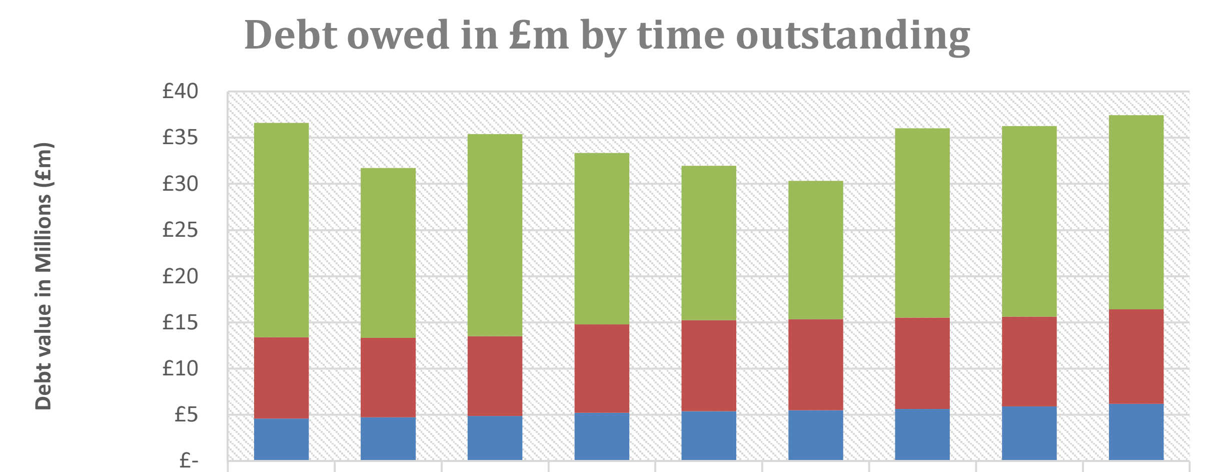
Approximately **200,000+** debtor invoices are raised on behalf of the County Council each year and this volume has remained constant for at least the past 3 years. The value of these debtor accounts has also remained fairly constant over this period with an average value of **£300m** per annum being invoiced.

Debt is treated in 2 distinct elements ;

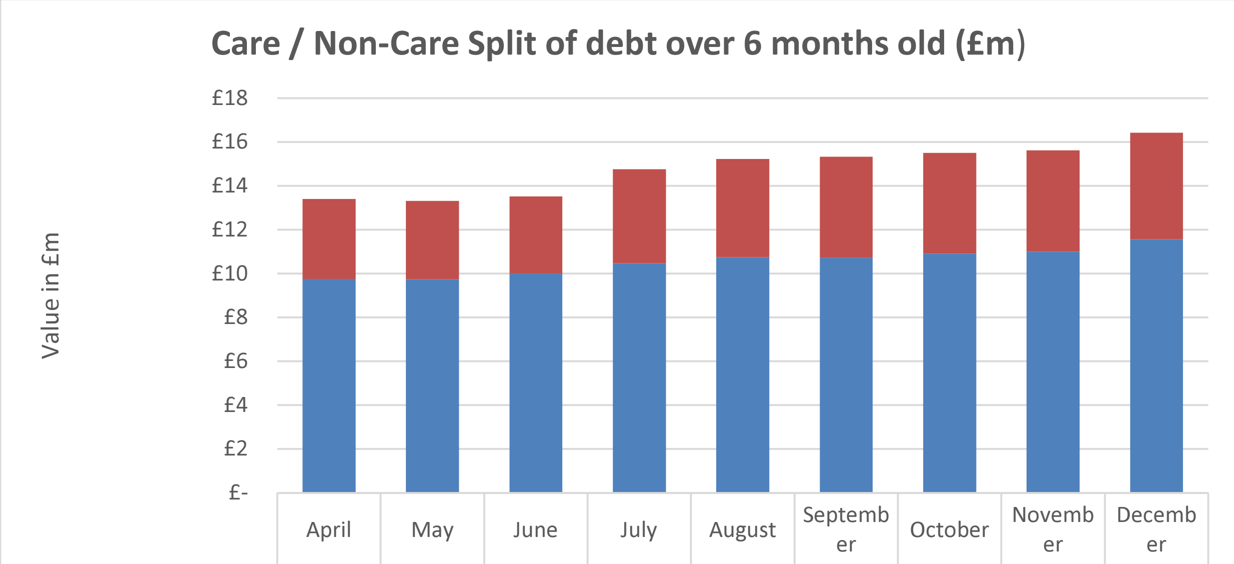
- **Care Debt** - debt which has been raised in respect of the provision of social care.
- **Corporate Debt** - all other debt of the council.

Although 'care debt' only makes up approximately 20% of the value of the 'total debt raised per annum' it consists of approximately 80% of the total number of invoices. It is care debt which is the most difficult debt to recover due to the volumes and the sensitive nature of the debt.

The majority of debt owed to the County Council is from within 6 months. The graph below shows the breakdown of debt according to how long it has been outstanding. However it is clear that the longer the debt is outstanding, the harder it is to collect. It is therefore important that significant focus is placed on recovering debts as early as possible in the cycle.



	April	May	June	July	August	Sept	Oct	Nov	Dec
Under 6 months	£23.20	£18.38	£21.88	£18.57	£16.74	£15.01	£20.50	£20.64	£21.02
Between 6 and 24	£8.80	£8.59	£8.62	£9.55	£9.85	£9.82	£9.87	£9.72	£10.22
Over 24 months	£4.60	£4.73	£4.88	£5.23	£5.38	£5.51	£5.65	£5.90	£6.20



	April	May	June	July	August	September	October	November	December
Non-CareCategory 2	£3.65	£3.58	£3.52	£4.29	£4.48	£4.61	£4.61	£4.62	£4.86
Care	£9.75	£9.74	£10.00	£10.47	£10.75	£10.72	£10.90	£11.00	£11.56

Why is this indicator under-performing?

This indicator has increased over the last quarter due to the following factors:

- Typically each year there is a spike in outstanding debts in October due to invoices raised by schools at the start of each academic year. In September 2014 24,000 invoices (£30m) were raised compared with 15,000 (£11m) in August 2014. These will generally be paid on an instalment basis by parents for services such as school transport and school dinners. When a debt exceeds 35 days it becomes an outstanding debt and therefore all those debts that were raised on an instalment basis result in a large increase in the outstanding debt total, even though they are not considered a problem debt.

- The use of direct debits is a critical factor in the debt collection process. The Authority continues to encourage debtors to agree to be set up for payment via direct debit as the probability of recovering debt is substantially higher when using this payment method. The use of direct debits means less use of the Debt Team resource to chase debts, as it is more likely that it will be paid. In September 2014 the direct debit take up rate for care was 58.27%, whereas in December 2014 it was 57.29% and has now fallen to 54.72%. The direct debit take-up has been affected by the implementation of the replacement care systems and more information is provided later in the report. A performance indicator has been introduced for County Benefit Service to increase direct debit take-up

- Care debt continues to be the primary reason for increases in the outstanding debt amount. The Authority on average each month has £0.4m debt that is unpaid. The work that is taking place to improve debt management systems, processes and initiatives such as paperless direct debits and more timely assessment processes will result in a reduction in clients not settling their accounts.

An increase in the value of care debt arrears has been a steady trend since March 2010. It was at this point that a change in policy transferred the risk for care arrears (the non - payment of invoices for residential care costs) from care providers to LCC. Previously, LCC had paid residential care homes net (only paying for that part of any care package not funded by service user contributions) and suppliers billed service users direct for their contributions. The new approach involved paying providers gross which ensured they received 100% of the agreed rate, but simultaneously transferred risk and responsibility for recovering service user care contributions to LCC. The direct outcome has been a significant increase in the value and volume of invoices relating to social care charging and a deteriorating care arrears situation.

A new invoice is raised every month to each service user assessed as able to make a contribution to their care costs. Each invoice not paid within 35 days automatically becomes an outstanding invoice and is transferred to the debt team for collection action.

What progress has been made since the last report presented to Cabinet Committee on Performance Improvement (CCPI) in October 2013?

In October 2013 a Performance Indicator Recovery Plan was presented the 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. Whilst good progress has been made in achieving some of the action points, the complexity of the implementation and the dependency on other key parts of the business has meant that implementation has been slower than expected. Full completion of all activity (except a paperless direct debit capability) is however scheduled and on track to be completed by June 2015 and this is set out below;

Internal Audit Team Review

Subsequent to the report to CCPI, a review of processes and working practices was carried out by the Internal Audit Team and from this it was agreed with the County Treasurer's Management Team that the areas of focus were;

- 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

These were broadly in line with the expectations set out to CCPI but provided greater depth on the activity that would be required. At that time it was clear that in order to have effective debt management strategies in place the timescales involved may take longer than originally envisaged.

1. **Development of a Corporate Income and Debt Management Policy**
   A draft Income and Debt Management Policy has been completed and shared with the Management Team. The 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 LCC 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

Following comments and feedback from Management Team and a final version of the policy will be signed off by June 2015.

2. 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).

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 information on how payment methods that limit the potential for an increase in new debt (promoting/incentivising Direct Debit, deferred payment arrangements) and preventing payment arrears from escalating (early intervention on non-payment).

3. Development of debt strategies and subsequent re-configuration of ICT systems

In October 2013 details were provided in the report that significant development work was required within Accounts Receivable in Oracle R12. This would enable greater automation of processes, appropriate differentiation for different types of debts and debtors and provide better reporting information on debt for various different stakeholders.

A substantial amount of work has been completed to make sure that the system design and other elements such as letters, statements and emails, reports and even design principles for the post that a debtor will receive (one envelope per debtor) are giving the County Council what it needs to manage debt efficiently and effectively. The design and project planning of this work strand has taken longer than anticipated due to the complexity of the different types of debt within the County Council. This stage was considered fundamental in ensuring that the County Council is able to maximise the effectiveness of its debt recovery processes and maximise the benefit from our financial systems.

The debt strategies have now been agreed and signed off by a newly established Debt Management Programme Board and the re-configuration of the ICT systems is currently underway by BTLS. A recent key milestone of sign off for the design stage has been completed and the new debts strategies are now being built. A significant testing phase has been built into the project plan to provide assurance that the new system is working as anticipated. The go-live date for the new system is June 2015.

In addition, an initial piece of work has been completed by BTLS in relation to paperless direct debit capabilities with a statement of requirements completed. This work is currently on hold as it is dependent on the new debt strategies functionality. It will resume once the new strategies are in operation from June 2015.

4. Direct Debit Take-Up/Financial Assessments

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 recent 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 chose direct debit as the preferred method of payment.

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. This work will continue over the next few months.

5. Paperless Direct Debits

An initial piece of work has been completed by BTLS in relation to paperless direct debit capabilities with a statement of requirements completed. This work is currently on hold as it is dependent on the new debt strategies functionality. It will resume once the new strategies are in operation from June 2015.

6. Clarification of the role of Legal Services

Timely and effective legal action is a critical part of effective debt management and requires the processes and procedures supporting the identification, referral and management of cases to be as efficient as possible.

As part of the development of debt strategies which will bring greater automation to the collection process, the need to ensure appropriate cases are referred to Legal Services in a consistent way has been identified. Discussions have been held with Legal Services to develop standard processes for cases to be referred.

7. Appointment of a new external Debt Collection Agency (DCA)

A new external contract for Debt Collection Services was awarded to Rossendales in June 2014. The contract is designed to operate in a competitive environment rewarding collection success and developing added value through a collaborative partnership approach with our internal Debt Team. Referral to external agencies currently only includes non-care cases with flow controlled by the Debt Manager as part of his planning and delivery of an effective collection strategy. The initial feedback on progress to date has been positive with over £50k of debt recovered in recent months from cases that were considered to be challenging due to their age and type. There is also scope for greater success once the ICT solution to debt strategies is implemented.

What actions are required to put it back on track? What action will be taken?

It is clearly in the interests of the County Council to ensure income due for chargeable services is realised at the earliest opportunity, not only to aid cash flow but to minimise the resources required for collection activity and reduce the risk of non-payment escalating into bad debt and the need for subsequent write off.

The actions outlined set out in the previous section and below feature within the County Treasurer's 2014/15 Business Plan and centre on the implementation of a new Income and Debt Management Policy explicitly targeted at maximising the volume and value of income realised and therefore reducing the levels of outstanding debt. In addition to the ongoing work set out earlier in the report, the following actions are also underway;

1. **Establishment of the Debt Management Programme Board**
   In order to build on the momentum achieved to date and to ensure that the work undertaken achieves the required outcomes, a Debt Management Programme Board has been established. This contains representatives from Financial Administration, Internal Audit and BTLS. The aim of the Board is to provide a robust control and decision making function to ensure that the different work strands relating to debt management are working towards the same key objectives and clearly identify where they impact on each other. The Board is chaired by the new Head of Exchequer Services.

2. **Additional Resources allocated to the Debt Management Team**
   As the new systems and processes are being developed it is necessary for some of the existing data to be cleansed and ensure that resources can be targeted to those debts that are truly recoverable. A "cleanse and migrate" process is required for older debts prior to migrating them into the new debt strategies system. Cases will either be immediately identified (against set criteria) as appropriate for write off and the correct authorisation sought or will involve telephone contact with the debtor to ascertain current circumstances and form a decision on whether the invoice should be assigned to a new strategy, referred to the DCA or Legal Services for recovery action or be recommended for write off.

   Given the scale and the volume of transactions this is not considered to be achievable within the current resources. Additional temporary resources have been agreed and the appointment process has just been completed and this extra resource will now start to have an impact in reducing the amount of debt outstanding to the County Council.

3. **Utilising information technology to improve collection success**
   Internal processes within the debt teams have been reviewed to ensure workflows are efficient and support the changes made within the ICT systems. The success of the changes to the ICT systems will ~~be~~ therefore be further enhanced by the changes in the ways of working within the team and the ability to analyse data more effectively and efficiently to provide quality management information. The successful achievement of the go-live date for the new debt strategies system will result in significant improvements in the debt management process:

   - 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.

4. Increased resources available to Budget Holders

Budget Holders are a critical part of the process for recovering debts as they raise the invoice and often have the relationship with the debtor. In order to assist Budget Holders in recovering their debts, additional reports and guidance have been produced to support budget holders. These include;

- Regular summary and detailed information on unpaid invoices for their service area
- Toolkits that provide "how to" guides and useful information targeted at budget holders

CONCLUSION

A significant amount of work has been undertaken since the last Recovery Plan was presented to CCPI in October 2013, however, the scale and complexity of the work involved has meant that progress has not been as fast as anticipated. The original scope of work has been widened to incorporate more transformational activity to improve work processes and enable systems to support more effective and efficient working practices which will have greater longer term benefits for the Council. Much of the detailed work is now complete and once the ICT systems have been re-configured to support the newly designed and transformed processes it is anticipated that the County Council will have, by the end of June, effective income and debt management policies and processes in place. It is important that the work carried out to date continues to be monitored on a regular basis to ensure the required outcomes are achieved and progress will be monitored through future budget monitoring reports.