



INDIVIDUALS OVERVIEW AND SCRUTINY COMMITTEE

Subject Heading:	Adult Social Care – Debt Recovery
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Policy context:	Adult Social Care Income Collection following financial assessment – Debt Recovery

SUMMARY

This report has been written to provide the Overview & Scrutiny Committee with information about debt recovery in adult social care.

RECOMMENDATIONS

1. That Members note the contents of the report and the continued work in recovering debt owed to the Council.
2. That Members note the actions identified to improve debt recovery processes to reduce money owed to the Council for services received by adults who use social care.

REPORT DETAIL

3. This report covers debt recovery activity for the period 1st April 2012 to 31st December 2013. The key points to note are:
 - Debt recovery procedures are now more robust and efficient
 - The total number of debtors and invoices outstanding continues to decrease
 - The amount of repayment plans and income from repayment plans in increasing every quarter
 - The amount of older debt is falling every quarter

4. Adult Social Care is responsible for the assessment adults and older people over the age of 18 who have disabilities and/or become frail and who have social care needs. Once it has been agreed that an individual is eligible for care and support from the Council, the Council undertakes an assessment to see how much the individual may have to pay for their care.
5. Depending on whether the individual is receiving care whilst continuing to live in their own home or moves into a residential or nursing home, the charging policy/rules are different. For anyone who moves into residential or nursing care, Local Authorities have the power to charge for care under section 22 of the National Assistance Act 1948. The guidance is called 'Charging for Residential Accommodation Guide' or 'C.R.A.G'. For people still living in their own home, the Council uses 'Fairer Charging Policies for Home Care and other non-residential Social Services' and 'Fairer Contributions Guidance 2010'. These guidance documents assist adult social care in determining what contribution, if any, an individual receiving community care services (including direct payments and personal budgets) should make towards it.
6. Within Adult Social Care in Havering, like all Councils, there is a specialist team - the Financial Assessment & Benefits Team – who are responsible for the following areas of work;
 - assessing individuals' liability to their care fees, both for residential care and domiciliary care. This includes a visiting service to assist with completion of financial assessment forms
 - maximising service user income (through welfare benefit advice) with a view to maximising income for the Council
 - monitoring of income collection for both residential & domiciliary care
 - debt recovery action for residential and domiciliary care debts
 - providing welfare benefits advice via a helpline and via face to face contact through a number of ongoing projects
7. Completion of Financial Assessments is the primary purpose of the team however the team also deals with debt recovery. The team includes Welfare Rights officers and a Litigation Solicitor. The Welfare Rights Officers check the contents of the Financial Assessment forms and give direct advice to customers, or their financial representatives, on benefit entitlement and various other streams of potential income through grants.
8. Between 45 and 60 new financial assessments are carried out per week as well as a further 30 to 50 financial reassessments to reflect changes in an individual's financial circumstances while care is ongoing.
9. In April 2009 total debt in this area was in excess of £6.5m with a bad debt provision over £2m and less than £500,000 of the outstanding debt was secured. The debt recovery procedures at this time were very much reactive

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with only system generated reminder letters issued until the debt reached £5,000 at which time it was passed for formal recovery action.

10. Adult Social Care recognised that this process of recovery action was flawed, with an unacceptable high level of debt, in particular unsecured debt. Therefore, since 2010/11 a much more pro-active approach to debt recovery was implemented through ensuring potential arrears situations are identified as early as possible and take direct action at that stage. Our current procedure states that we start debt recovery action if an individual has two outstanding invoices, and if no reasonable explanation or contact is received from the debtor, within a 50 day period from the arrears being identified, the debt is referred for Legal action.
11. It should be noted that an individual may have legitimate reasons for non-payment of their first two invoices (e.g. waiting for a Court of Protection application to be finalised, ill health, etc) our initial debt recovery letter takes an intervention approach rather than a straight up demand for payment. Assistance is offered in financial management or advice as well as signposting to organisations that may be able to assist individuals who are having difficulties, however remaining clear that non-payment of invoices is unacceptable.
12. These changes in approach to debt recovery have seen total debt fall dramatically and the number of debtors decrease as well as the number of repayment plans increase as well as reducing the amount of long term debtors and individuals with large unsecured debts.
13. The table below provides a quarterly summary of the debt recovery position since April 2012:

POSITION AS AT	TOTAL DEBT (000)	TOTAL DEBT SECURED (000)	TOTAL BAD DEBT (000)	ONGOING DEBT (000)
01/04/2012	£3,444	£1,187	£1,099	£1,157
01/07/2012	£3,361	£1,236	£1,079	£1,044
01/10/2012	£3,738	£1,424	£1,078	£1,235
01/01/2013	£3,626	£1,386	£1,154	£1,085
01/04/2013	£3,747	£1,372	£1,178	£1,196
01/07/2013	£3,695	£1,433	£1,151	£1,110
01/10/2013	£4,435	£1,865	£1,160	£1,408
01/01/2014	£4,059	£1,805	£1,160	£1,092

14. It is noted that over the period April 2012 to January 2014, total debt has increased by over £500k. This is because particularly since Summer 2013, significant effort has been underway to further improve the robustness of systems and process.

15. In early 2012 the Council introduced a new Placement contract which passed the responsibility for the collection of client contributions to care homes. The only circumstances under which a Gross contract would be used are where individuals own property and therefore need to enter into Deferred Payment Agreements or where the customer does not have capacity to manage their finances and these are managed by a third party. This has resulted in a larger amount of fees that are deferred, and therefore cannot be collected while care is ongoing, and also more short term debtors pending Court of Protection action.
16. Deferred Payment cases are considered to be secured debt, which has increased by more over the last 20 months than total debt has. Any individual who has property at the point of moving into a care home, must enter our Deferred Payment scheme, which enables the Council to secure any debt through placing a charge on the individual's property. The Care Bill that is anticipated to become law shortly states that all LA's should implement an obligatory approach to Deferred Payments by 2015 – however as above our scheme is already in place.
17. Bad debt sums has remained consistent over the 20 month period because of the more pro-active approach to debt recovery not allowing so many long term or larger debts to accrue. Ongoing debt is lower now than at 1/4/12 despite the increase in total debt which shows the impact of the change in procedures.
18. The Corporate Debt Management Board sets targets around in year collection rates based on sums either collected or secured within the financial year, which have been met for the last 3 financial years and Adult Social Care is target to meet this year's target of 92%.
19. Whilst recognising and acknowledging that debt management and recovery in Adult Social Care has been deficient in previous years, the current procedures are proving effective as shown in the decrease in ongoing debt and the increase in secured debt support. However in order to ensure the Council continues to recover debt efficiently, these procedures are reviewed by the Financial Assessment & Benefits Team Manager every six months and changes are made where appropriate.

IMPLICATIONS AND RISKS

Financial implications and risks:

There are no direct financial implications or risks arising from this report which is for information purposes only.

There are cash flow implications resulting from the effectiveness of debt recovery in the borough, as well as related reputational implications of managing income collection effectively within Adult Social Care.

The corporate debt management policy and charging policy underpins Adult Social Care policy and process.

It should be noted that service implications arising from the Care Bill, which is currently passing through parliament, are being considered.

Caroline May, Strategic Finance Business Partner

Legal implications and risks:

There are no apparent legal implications or risks in noting the content of the Report

Human Resources implications and risks:

None at present

Equalities implications and risks:

None at present

BACKGROUND PAPERS

None