

Decision Maker: CARE SERVICES POLICY DEVELOPMENT AND SCRUTINY COMMITTEE

Date: Tuesday 5th September 2017

Decision Type: Non-Urgent Non-Executive Non-Key

Title: ANNUAL ECHS DEBT REPORT

Contact Officer: Claudine Douglas-Brown, Head of Exchequer Services
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Chief Officer: Director of Finance

Ward: Borough-wide

1. Reason for report

- 1.1 To provide an update on the current level of Education, Care and Health Services (ECHS) debt and the action being taken to reduce the level of long term debt.
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2. **RECOMMENDATIONS**

- 2.1 **The Care Services PDS Committee is asked to note the level of ECHS debt over a year old and the action being taken to reduce this sum.**

Impact on Vulnerable Adults and Children

1. Summary of Impact: None
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Corporate Policy

1. Policy Status: Existing Policy:
 2. BBB Priority: Excellent Council:
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Financial

1. Cost of proposal: Not Applicable:
 2. Ongoing costs: Recurring Cost:
 3. Budget head/performance centre: 400008, 400022
 4. Total current budget for this head: £976k
 5. Source of funding:
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Personnel

1. Number of staff (current and additional): 4 plus Liberata staff
 2. If from existing staff resources, number of staff hours: N/A
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Legal

1. Legal Requirement: Statutory Requirement :
The Care Act 2014
The County Courts Act 1984
Civil Procedure Rules
Housing Act 2004
 2. Call-in: Not Applicable: No Executive Decision
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Procurement

1. Summary of Procurement Implications: None
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Customer Impact

1. Estimated number of users/beneficiaries (current and projected): 13,000
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Ward Councillor Views

1. Have Ward Councillors been asked for comments? Not Applicable
2. Summary of Ward Councillors comments: Not Applicable

3. COMMENTARY

Level of Debt

- 3.1 The collection of the Education, Care and Health Services debt is undertaken by Liberata as part of the Exchequer Services Contract and is monitored by 1.3ftes within the Exchequer Services Client Unit.
- 3.2 The ECHS debt as at 31st March 2017 was £10.3m of which £7.1m was under one year. **Appendix 1** provides a breakdown of the total debt and **Appendix 2** provides an age profile.
- 3.3 As at 31st July 2017 the £10.3m had reduced to £8m and this figure is expected to reduce by between 40-50% by the end of March 2018 with further reductions in 2018/19.
- 3.4 During 2016/17, Liberata raised 6,865 invoices to the value of £26,599,533 on behalf of ECHS. As at 31st July 2017, £1,968,667 (7%) remained outstanding.
- 3.5 The value of unpaid invoices over one year as at 31st March 2017 was £1,404,251 and this has since reduced to £1,296,809 as at 31st July 2017. This is a reduction of £208,958 (14%) when compared to July 2016. **Appendix 3** shows the reduction in the social care debt over 1 year and provides an analysis of the service the debt relates to. **Appendix 4** shows the various stages of recovery. The sum of £163k secured by way of a charge includes two cases with the debt totally £90k. The possibility of administering the deceased's estate is being explored with the council's legal department however this is a complex matter and could take up to two years before the debt can be recouped.
- 3.6 **Appendix 5** shows the amount of debt written off over the last three years. The increase in the amount of domiciliary care debt written off is largely due to the rise in deceased clients with insufficient funds in their estate to settle the outstanding debt. Legislation does not permit local authorities to stop providing care where there is an outstanding debt, which means the debt will continue to rise during the recovery process.
- 3.7 Often family members who do not have a registered lasting power of attorney will need to apply to the Court of Protection to seek to become a Deputy, in order to manage their relative's financial affairs. This process can typically take between 6 months and one year to complete. During this time, the debt will continue to accrue and once the court order has been obtained there may not be sufficient funds to settle the debt in full.

Adult Social Care

- 3.8 The increase in outstanding Carelink debt from £9,371 at 31st March 2016 to £13,314 at 31st March 2017 is due to the change in the billing process from quarterly to annual billing in April 2016, however over 67% of clients now pay by direct debit compared to 17% in 2015.
- 3.9 The introduction of direct debits for domiciliary care charges due to be implemented within the next few months will enable clients to plan and manage their payments better and will improve cash collections.
- 3.10 A review of social care debt recovery procedures followed by other local authorities show that the same challenges are being faced nationwide. Five out of the eight local authorities carried out visits to clients (or their representatives) to discuss arrears and agree a repayment plan. These visits were either carried out by financial assessment officers, social workers and in one local authority an officer from the legal team would attend the meeting with the social worker. Three authorities had a debt management panel made up of staff from finance, social services and legal who reviewed cases before taking legal action.

- 3.11 The key to maximising revenue is to ensure that where required clients are supported in managing payment of the charges. If the client lacks capacity to manage their finances, action should be taken promptly to ensure someone with the appropriate legal authority is in place to take on this role and any early warning signs should be investigated without undue delay. This can only be achieved if all teams involved in the assessment and charging process work collaboratively and not in isolation.
- 3.12 Officers within ECHS, Exchequer and Liberata are committed to improving the processes that are in place and although there has been some improvement in this area, further work is needed in order to see a significant reduction in the level of aged debt, this includes additional training across ECHS and Liberata as well as a review of the current policies and procedures.
- 3.13 The Committee is asked to note that officers will be seeking agreement from the Resources Portfolio Holder and the Care Services Portfolio Holder around arrangements for a visiting officer and social worker to work primarily with clients who lack capacity to manage their finances and those who have difficulties in paying their care charges.
- 3.14 In 2016/17 £187k was written off where clients had died and there were insufficient funds in their estate to settle the debt. Having examined these cases as part of the write off process, there is clear evidence that a more proactive approach to include early intervention by a social worker and debt recovery visiting officer will increase recovery of income and reduce losses. The estimated cost of £94k per annum for the additional resources will therefore be self-financing.
- 3.15 Further changes to the current policies and procedures will be discussed with the Director of Adult Social Care and will be presented with the next debt report together with benchmarking data on collection performance.

Temporary Accommodation

- 3.16 The number of households residing in temporary accommodation has continued to increase year on year and there is no prospect of any reduction over the next few years. The total rent to be collected has increased by £1.7m when compared with the previous year due to the increase in homelessness. The effect of the Welfare Reforms and Benefit Cap has also impacted on the level of debt outstanding. The larger proportion of the rent relates to personal contributions which can be more problematic to recover from low income clients. In spite of this cash payments collected from the clients in the period 1st April 2016 to 31st March 2017 have increased by 43% on the previous year.
- 3.17 The Housing Needs Team is in the process of recruiting two visiting officers to carry out occupancy checks and obtain evidence from clients in respect of their housing benefit claim. Liberata are also recruiting an additional recovery officer; these additional resources will help to ensure claims are progressed to a timely award; arrears are reduced and evictions prevented.
- 3.18 Monthly meetings are attended by the Director of Housing, Heads of Service and other officers involved in the recovery of temporary accommodation debt to review processes and agree any changes required to reduce the impact of the Welfare reforms and roll out of Universal Credit.
- 3.19 Orchard, the new housing system due to be implemented in April 2018, will provide recovery officers with automated arrears recovery workflows with standard letters, rent statements, direct debit facility, SMS messaging and a more sophisticated reporting tool. This will allow for more robust recovery action as well as improved performance monitoring.

4. IMPACT ON VULNERABLE ADULTS AND CHILDREN

4.1 There is no direct impact on vulnerable adults and children arising from the contents of this report. Officers involved in recovery of social care charges are required to adhere to the Care Act 2014, County Courts Act 1984 and the Civil Procedure Rules. This legislation together with the Council's debt management policy for social care charges ensures our duty to protect the public purse does not impact on our duty to protect vulnerable adults.

5. FINANCIAL IMPLICATIONS

5.1 Non collection of monies owed to the Council result in a £ for £ loss to the Council and delays in recovery have a negative effect on the Local Authority's cash flow.

Non-Applicable Sections:	Policy implications, Personnel implications, Legal implications, procurement implications
Background Documents: (Access via Contact Officer)	Not Applicable