

# WIRRAL COUNCIL

## CABINET

MAY 2013

<b>SUBJECT:</b>	<b>RESPONSE TO INDEPENDENT REVIEW OF SUNDRY DEBTS</b>
<b>WARD/S AFFECTED:</b>	<b>ALL</b>
<b>REPORT OF:</b>	<b>INTERIM DIRECTOR OF FINANCE</b>
<b>RESPONSIBLE PORTFOLIO HOLDER:</b>	<b>COUNCILLOR PHIL DAVIES, LEADER</b>
<b>KEY DECISION</b>	<b>YES</b>

### 1.0 PURPOSE OF REPORT

- 1.1 To respond to the Independent Review of Sundry Debt.

### 2.0 RECOMMENDATIONS

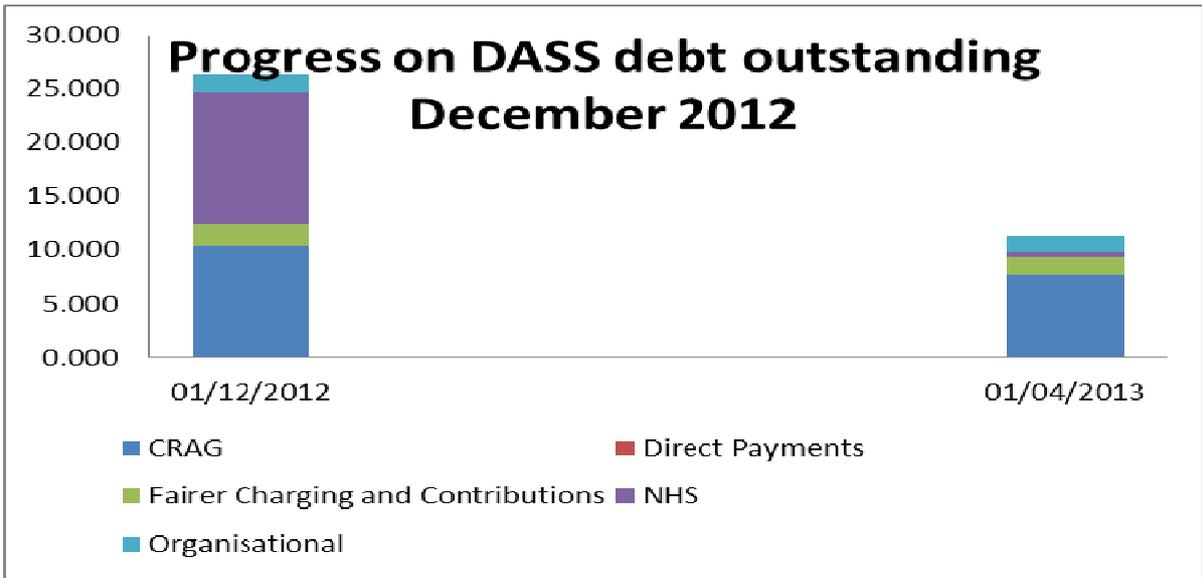
It is recommended that Cabinet:

- 2.1 Approves the proposed action in the Final Report and detailed at Annex 1
- 2.2 Refer the report of the Independent Expert, and this report, to CIPFA for their professional review.

### 3.0 BACKGROUND

- 3.1 The Independent Expert, Mr Eugene Sullivan, has completed his report on debt, concentrating particularly on the Department of Adult Social Services (DASS) Debt. This report also concentrates on the DASS debt. A sister report is elsewhere on the agenda that sets out the overall position and proposed action on the non-DASS debts.
- 3.2 There is no disagreement over the facts set out in the final report. Finance and DASS have been involved in its production and have commented at various stages on the report's proposals. An officer workshop took place on 15<sup>th</sup> March 2013 to consider the Final Report and finalise directorate responses
- 3.3 This report provides an action list. This is set out as a table at Annex 1 and is based on the Final Report recommendations; it proposes that all the actions are completed by September 30, 2013. Much of the DASS action has already been summarised in The Way Ahead section of the Final Report.
- 3.4 The approach to permanently reducing the large levels of DASS debt outstanding is threefold
- 3.4.1 Transfer income collection to providers where possible. The NHS to pay its own obligation directly to providers
- 3.4.2 Ring fence legacy arrears arising from the deficient practices identified in the Final Report and maximise the recovery, writing off any irrecoverable accounts. This will establish the correct financial position.
- 3.4.3 Introduce quickly efficient systems for financial assessment, billing and recovery. This will achieve a significant increase in both the value of charges billed and the proportion of those charges ultimately recovered.

- 3.5 Of the DASS debt identified in accounts receivable as being outstanding at 4<sup>th</sup> December 2012, considerable progress has been made in collecting the arrears in accordance with the chart below. At 4<sup>th</sup> December 2012 DASS accounts receivable outstanding were £26.328m. The value of those accounts now outstanding was reduced to £11.392m as at 19<sup>th</sup> April 2013. Progress on the individual debt categories is set out in sections 3.6 to 3.10 below.
- 3.6 Residential charges (CRAG – Charging for Residential Accommodation Guidance) have around an 85% recovery rate. This is measured as the cash collected in any financial year compared to the value of income billed in that year. This rate will be increased by the actions identified in Annex 1 below. The current volume of arrears is mostly legacy arrears arising from the deficient practices identified in the Final Report.
- 3.7 Direct payments are always made net of assessed client contributions. The low value of accounts receivable is overpayment recoveries and other technical adjustments.
- 3.8 Domiciliary charges have around an 85% recovery rate. This will be increased by the actions identified in Annex 1 below. Income losses from services that cannot be billed because of assessment delays will be reduced. The current volume of arrears is mostly legacy arrears arising from the deficient practices identified in the Final Report.
- 3.9 The NHS is a significant component of account receivable. Signed agreements have now been put in place with NHS Wirral for the major 2012-13 funding transfers to social care, particularly the £4.7m Social Care Fund. A vigorous programme of meetings is continuing to resolve all outstanding issues on Continuing Health Care and Joint Funded packages. New arrangements for 2013-14 will ensure these problems do not reoccur.
- 3.10 Organisational debt is provider overpayments. The current volume of arrears is mostly legacy arrears arising from the deficient practices identified in the Final Report. Under the proposed arrangements this debt category should be largely eliminated.



**4.0 ACTION LIST**

- 4.1 Annex 1 summarises action already initiated by DASS and is also the response to the final report recommendations.

## **5.0 RELEVANT RISKS**

- 5.1 Any risk of non-recovery from NHS agencies will be managed down by the system and procedural changes outlined above.
- 5.2 Loss of client contributions is a significant risk. The changes outlined above aim to increase the proportion of care costs billed and the proportion recovered.
- 5.3 Organisational debt should largely be eliminated on the basis of the system changes outlined above.

## **6.0 OTHER OPTIONS CONSIDERED**

- 6.1 No other options have been considered separately from the Final Report recommendations.

## **7.0 CONSULTATION**

- 7.1 Not applicable

## **8.0 IMPLICATIONS FOR VOLUNTARY, COMMUNITY AND FAITH GROUPS**

- 8.1 There are no direct implications for voluntary, community and faith organisations.

## **9.0 RESOURCE IMPLICATIONS: FINANCIAL; IT; STAFFING; AND ASSETS**

- 9.1 Each additional 1% collection achievement on these contributions amounts to around £190,000.
- 9.2 The proposed staffing changes can be funded from the increased resources generated.
- 9.3 Any IT changes can be funded within the increased resources generated.
- 9.4 There is a Bad Debt provision of £4.8m, against estimated bad debts of £10.9m. The further write-off of £6.1m was built into the 2013-14 budget, as part of the exceptional items that featured in the 2013-14 budget process.

## **10.0 LEGAL IMPLICATIONS**

- 10.1 The issue of 'legal title' to the debts was considered as part of the compilation of this report. The necessary resources for case management and recovery processes can be generated from the additional income collected under improved arrangements.

## **11.0 EQUALITIES IMPLICATIONS**

- 11.1 The revised assessment procedures will offer an improved assessment of clients' disability related expenditure and the availability of welfare benefits.

## **12.0 CARBON REDUCTION IMPLICATIONS**

- 12.1 None.

## **13.0 PLANNING AND COMMUNITY SAFETY IMPLICATIONS**

- 13.1 There are no planning implications arising directly from this report.

## **14.0 REASONS FOR RECOMMENDATIONS**

- 14.1 To improve the billing, collection and recovery of residential and non-residential contributions.

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**Annex 1** Department of Adult Social Services (DASS)

**ACTION LIST**

**REFERENCE MATERIAL**

Final Report of the Independent Consultant, Mr Eugene Sullivan

**SUBJECT HISTORY (last 3 years)**

<b>Council Meeting</b>	<b>Date May 5, 2013</b>
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F: 130328 V3

**Annex 1 - Department of Adult Social Services (DASS)**
**ACTION LIST**

	<b>DASS Action Plan</b>	<b>Comments and responsibility</b>	<b>Complete 6</b>	<b>Apr 5</b>	<b>May 3</b>	<b>Jun 16</b>	<b>Jul 2</b>	<b>Aug 2</b>	<b>Sep 3</b>
1	Move to net provider payments on residential.	This proposal has been incorporated in the 2013-14 care home fee review as a discretionary opt-in for which an incentive payment would be made.. Wirral would remain responsible to providers for any uncollected fees. However the change would transfer responsibility for the collection and recovery of much of the £14m of residential client contributions annually.(DASS)						31.8.13	
2	NHS to pay providers directly any Continuing Health Care placements	The change would end responsibility for the payment and subsequent recovery from the NHS of £6m of Continuing Health Care costs annually. (DASS)		30.4.13					
3	All NHS transfers to be covered by formal S256 agreements under the National Health Act 2006	These agreements need to be in place ahead of the financial year in question and will avoid disputes over up to £8m a year of transfers. (DASS)			31.5.13				
4	Implement a first service assessment immediate financial assessment process to eliminate the service to financial assessment delay. Because fairer charges cannot be applied before a financial assessment is issued the delays cost DASS around £500,000+ a year.	In development and will be implemented June 2013. This change will generate net increased fairer charging income of up to £350,000 a year (DASS, PFU)				30.6.13			
5	Increase visiting team capacity PFU	30 <sup>th</sup> June 2013 funded by resources generated under 3 above. (PFU)				30.6.13			
6	Regular income and debt monitoring by DASS SLT	Monthly reporting already introduced (DASS)	Complete						
7	Robust process to establish capacity to deal with financial affairs at the start of assessment	Introduced for recovery cases already. System will be extended to cover all cases. (PFU)	Complete						

<b>DASS Action Plan</b>		<b>Comments and responsibility</b>	<b>Complete</b>	<b>Apr</b>	<b>May</b>	<b>Jun</b>	<b>Jul</b>	<b>Aug</b>	<b>Sep</b>
			<b>6</b>	<b>5</b>	<b>3</b>	<b>16</b>	<b>2</b>	<b>2</b>	<b>3</b>
8	Finalise SLA DASS/PFU/Legal	Draft under discussion to be finalised by 30 <sup>th</sup> April 2013 (DASS)		30.4.13					
9	Issue consolidated Fairer Charging and Disability Related Expenditure policies	Draft under discussion. This action is required to consolidate all previous charging policies and charging decisions in a single authoritative source. Policy to be reported to July 2013 Cabinet. (DASS)					31.7.13		
10	Implement new charges as per budget savings 2013-14	(a) Fairer charging assessment based on 100% of disposable income implemented 8 <sup>th</sup> April 2013. (PFU)  (b) Recovering the full cost of meals to be implemented July 2013. (DASS)  (c) Assistive Technology charges to be implemented 30 <sup>th</sup> June 2013. (DASS)		8.4.13		30.6.13	31.7.13		
11	Set targets for debt outstanding 31.3.14	The target set (subject to 1 and 2 above) NHS £500k; Organisational £500k; Client Contributions £2m. (IDoF, DASS)	Complete						
12	DASS to be credited with 'recoverable income', not 'income raised'.	DASS is in favour of this change being made in order to avoid confusion over the true financial position. (IDoF, DASS)	Complete						
13	Ensure debt secured on property is just that	By 30 <sup>th</sup> June 2013 (PFU, Legal)				30.6.13			
14	Proactive charging of property under HASSASSA	Applied to relevant cases by 30 <sup>th</sup> June 2013. (PFU, Legal)				30.6.13			
15	Introduce direct debit payment arrangements for fairer charging	By 30 <sup>th</sup> September 2013. This change will significantly improve the Council's cash flow in respect of £5m of fairer charges billed annually. (IDoF, DASS)							30.9.13
16	Change provider payment process to pay on actual placements claimed, rather than adjustment of overpayments in arrears.	This proposal is to be incorporated in the 2013-14 care home fee review. The change would eliminate the main cause of provider overpayments. (DASS)						31.8.13	
<b>Final Report Recommendations - Engagement with Service Users</b>									

<b>DASS Action Plan</b>		<b>Comments and responsibility</b>	<b>Complete 6</b>	<b>Apr 5</b>	<b>May 3</b>	<b>Jun 16</b>	<b>Jul 2</b>	<b>Aug 2</b>	<b>Sep 3</b>
17	Alongside the new workbook, design and implement procedures to ensure care and financial assessments are fully integrated and involve personal contact with service users	This change will be incorporated in the actions 4 and 5 above. (DASS, PFU)				30.6.13			
18	Design documentation for first point of contact with service user to ensure position with regard to charging is explicit and recorded to support basis of charging (this should be part of the new workbook)	This change will be incorporated in the actions 4 and 5 above. (DASS, PFU)				30.6.13			
<b><u>Collection and Recovery</u></b>									
19	Design arrangements and manage resources to ensure first invoice to service user is included in the first invoice run after care starts, in all but exceptional cases	This is the purpose of the changes outlined in sections 3 and 4 above. (DASS, PFU)				30.6.13			
20	Design and implement procedures to increase number of service users paying by Standing Order	The existing standing order method will be promoted, but direct debit is the favoured option in accordance with 15 above. The preferred option for residential charging is provider collection in accordance with 1. above. (DASS, PFU)							30.9.13
21	Establish a permanent collection and recovery team with performance management and targets for collection levels and debt recovery	An interim team of 6 is dealing with the legacy debt. The permanent recovery requirement will be established after the ring-fenced debt is addressed and all the system changes outlined above have been implemented. (DASS, PFU)				30.6.13			
22	Design and implement debt collection and recovery procedures to reflect the recurring nature of charges to users in residential and non residential care	An interim team of 6 is dealing with the legacy debt. The permanent recovery requirement will be established after the ring-fenced debt is addressed and all the system changes outlined above have been implemented. (DASS, PFU)				30.6.13			
23	Agree criteria and delegated	There are legacy issues that			31.5.13				

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	authority levels for Department to request a 'hold' on debt collection and recovery	<ul style="list-style-type: none"> <li>❖ Holds for a fixed period have been treated as unlimited holds due to a systems and procedure fault</li> <li>❖ Holds have been granted for disputed accounts. In most circumstances disputed accounts should be paid at the existing level pending resolution of the complaint.</li> </ul>							
24	Ensure all requests for hold are supported by (a) valid reason and (b) specific end date consistent with the reason for holding	In future holds will be granted only in limited and exceptional circumstances. (DASS, PFU)			31.5.13				
<b>Monitoring / Reporting</b>									
25	Monitor monthly unpaid invoices and make early direct contact with service users if they fail to pay – especially those on first invoice	Debt is now monitored by DASS SLT – see 6 above. Increased resources in the PFU in accordance with 3 and 4 above will allow for improved monitoring and recovery processes. (DASS, PFU)				30.6.13			
26	Explore options of introducing direct debit for all residential and non residential care debts.	See 15 above. (DASS, PFU)							30.9.13
27	Design and implement monthly monitoring reports on collection and debt, with focus on active and closed cases in both residential and non residential care	Debt is now monitored by DASS SLT – see 6 above. Increased resources in the PFU in accordance with 3 and 4 above will allow for improved monitoring and recovery processes. (DASS, PFU)				30.6.13			
28	Allocate a separate field in the Accounts Receivable system to differentiate between disputed debts and debts placed on hold by Department	There will be a comprehensive review of the system of flags; any necessary changes will be implemented 1 <sup>st</sup> June 2013. (DASS, PFU)				30.6.13			

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29	Manage and report debt secured against property as a financial management and balance sheet issue as well as the DASS monitoring on these cases	See 13 and 14 above. (PFU, Legal)				30.6.13			
	<b><u>Governance</u></b>								
30	Departmental risk registers and Senior Leadership Team agendas should provide for formal and frequent consideration of the debt position until the portfolio has been cleansed and ongoing collection and recovery is considered sustainable	Debt is now monitored regularly by Performance Senior Leadership Team; this will be developed and extended in accordance with this recommendation. (DASS)		30.4.13					
31	Develop financial management training for non financial managers with budget and or income receiving responsibilities	This is being developed by Finance, and the first training will take place in April 2013. (IDoF, DASS)		30.4.13					
32	The income recognition policy should be changed so that department receives credit when cash collected. This is consistent with DASS dialogue with Finance about provision for doubtful debts	This recommendation is accepted by DASS and the change of accounting policy will be made in 2013-14. (IDoF, DASS)	Complete						
33	Ensure regular reports to Cabinet and Council Excellence Overview & Scrutiny Committee are open and transparent about the nature and age of material debts	This recommendation (IDoF, DASS) is accepted.	Complete						
34	Ensure adequate resources in place within Legal to manage effective recovery action when instructed or authorised to do so.	This issue will be addressed in the SLA - see 8 above. (DASS)				30.6.13			