SURREY
COUNTY COUNCIL

Adult Social Care Select Committee
14 February 2013

Social Care Debt

Purpose of the report: Scrutiny of Services

Members have requested updates every other meeting on social care debt management.

Introduction:

1. This report gives an update on social care charge raising practice and debt management as at the end of December 2012. Both areas of activity aim to maximise income and reduce the level of uncollected social care debt. Updates are provided on actions being taken, aimed at improving how the processes work. In addition, Internal Audit are to undertake an end to end review of the debt raising and collection process in March. That will document that systems and controls in place and assess their effectiveness, providing both a 'health check' and a potential basis on which to consider any other improvements needed. The draft Terms of Reference for the review are attached at **Appendix 1**.

2. There has been a slight increase (from £5.13m to £5.27m) in the headline figure of collectible debt outstanding (excluding that subject to legal action) since the last report to members. Actions have been put in place which seeks to reverse that trend. The overall position is can be seen in the context of the concerted action – initiated by this Committee - to reduce the historically high figure, which was £12.95m in Sept 2007. The current position can also be seen in the following more recent context (using end of December as a consistent comparison point given that Christmas may be a factor):

	31 December 2010	31 December 2011	31 December 2012
Income billed in year £m	37.8	37.7	38.5*
Collectible Debt Outstanding £m**	4.90	4.70	5.27
As % of income billed	13.0%	12.5%	13.7%

* Expected
**More than a month old, excluding debt secured or subject to legal action

Thus, while there has been some slipping back on the improvement in 2011 that is in the context of increased income collection, and the position remains far better than it was in 2009.

Progress Update: Raising charges and Benefits Maximisation

3. It is intended as soon as possible to focus Financial Assessment & Benefit (FAB) team resources fully on raising invoices promptly and correctly, maximising benefit take-up, and monitoring success in those aims. For the moment, however, a proportion of FAB time is being taken up with additional tasks necessitated by system change, and that is realistically likely to last well into 2013/14.Those system issues are, then, the ones concentrated on in this update.

4. The income raised by the Financial Assessments and Benefits Teams currently averages £3.1 million per month. The majority of this income is now calculated in SWIFT and is largely comprised of residential assessments. The deferred debt cases remain in Abacus at the present time, as we have been unable to complete the testing for transferring property cases to SWIFT. It is hoped that this will be achieved and the cases transferred into SWIFT by the end of the financial year.

5. Using SWIFT to calculate financial assessments has significant benefits in terms of automatic workflow to enable better reconciliation between the provision of care and the financial assessment record. We have recently undertaken a reconciliation of the residential provisions and financial assessments and this resulted in additional income of £390,000 raised in November, which will have had an impact on the debt figure for December. A further £140,000 was raised in December and will impact on the debt figure in January. Going forward, i.e. once the missing assessments have been investigated and resolved, this reconciliation will be undertaken on a monthly basis to minimise any backdated assessments.

6. The integration of the care record, the costed package of care and the financial assessment does result in a more complex system in SWIFT/AIS. The interdependencies of each stage of the process can impact on the timeliness of completion of the assessment. The financial assessment is at the end of the process in system terms. We are currently looking at how this could be improved and are planning a pilot to start shortly in the East Financial Assessment and Benefit Team to target financial assessments in advance of the support planning process. This should enable the FAB Team to undertake the financial assessment and provide benefits advice at an early stage in the process and promote the take-up of payment by Direct Debit. Early financial assessment is essential for prompt income generation and debt collection but the integrated SWIFT system does not lend itself to the current end to end process. An authorised provision of care must be recorded in the system

before the financial assessment can be completed and we are committed to getting a more efficient process in place before transferring non-residential cases into SWIFT. We will report back to Members in the new financial year on the results of the pilot.

Progress Update: Debt Collection

7. The restructure of the shared service centre took place in the autumn. Vacancies and sickness absence coincided with that, as reported at the last Committee meeting. As of January, however, the new structure is up and running with new appointments made as necessary and the aim is to rebalance the allocation of resources as appropriate in order to maximise the attention paid to care debt, given that it tends to be the most difficult area of debt to deal with successfully.

8. Among the initiatives being taken are:
* An assessment of the number of people cancelling direct debit arrangements, and the reasons for them doing so. The table below gives the December figures along with the average over the last six months. To encourage more service users to pay by direct debit we will send a promotion mail shot with the February statement issue.

Direct Debit	Monthly average Last six months	Dec 2012
New customers billed	212	101
New DD instructions	96	75
% New customers with DD	45%	75%
Cancelled instructions	76	70
Cancelled – still receiving service	11	8

An analysis of the eight cases where direct-debit cancellations were received in December and where there was an indication of an ongoing service is shown below, and shows that two were not receiving service, so reducing cancelled cases below 10% of new accounts set up.

	Account status	Reason
1	Account paid in full	Person admitted to hospital – now deceased
2	Account in arrears	Reason not known
3	Account paid in full	DD cancelled following disputed respite charge
4	Account paid in full previously.	Person admitted to hospital – new DD received Jan 2013 for residential charges.
5	Outstanding debt	Person cancelled care due to charges
6	Small balance outstanding	Insufficient funds to pay in full, arrangement made to pay by instalments
7	Balance on account pending adjustment	Person now deceased
8	Account in arrears	No funds available pending imminent sale of

		property

Officers are currently examining the feasibility of running trials of the use of the Small Claims Court for selected debts below £5000. This is in line with procedure for non-care debt and can potentially be undertaken by shared service centre staff. It is hoped to take 10 cases forward as a pilot over the next few weeks if the assessment is positive. By way of comparison, six cases of over £5,000 have been referred to legal through established procedures in 2012/13 to date.

9. Since January 2012 to date care debt collected totaled **£35.44m** compared to **£35.35m** charges raised - showing a **100%** collection rate on that billed. Levels collected are consistently 100% or more of that billed which continues to reflect the ongoing work to reduce overall debt levels.

10. Since the last report total **unsecured debt has decreased from £7.38m to £7.14m** as a result of a £0.52m reduction in unsecured legal debt currently in progress, offset by a £0.28m increase in other unsecured debt. **Secured debt has increased from £7.02m to £7.36m** as a number of legal charges against property have been secured.

11. The latest figures show that during December 2012, **65.07%** of payments were received by direct debit (up 0.98 on the 64.09% rate reported to the Committee in November). Our target of 65% in the 2012/13 financial year is therefore being met, and this target appears likely to remain appropriate for 2013/14.

12. Currently **88.45%** of unsecured social care debt is less than two years old compared to December 2011 when the position stood at **91.41%**. Although the December 2011 position was a little higher, that reflected a specific aged debt exercise carried out around that time. Moreover, there are always fluctuations during the year.

13. We continue to promote awareness and take-up of our “e” billing option amongst clients who pay by direct debit or electronically (eg by BACS or via the Council’s website). Around 21% of clients currently receive their bill by email.

Debt Position

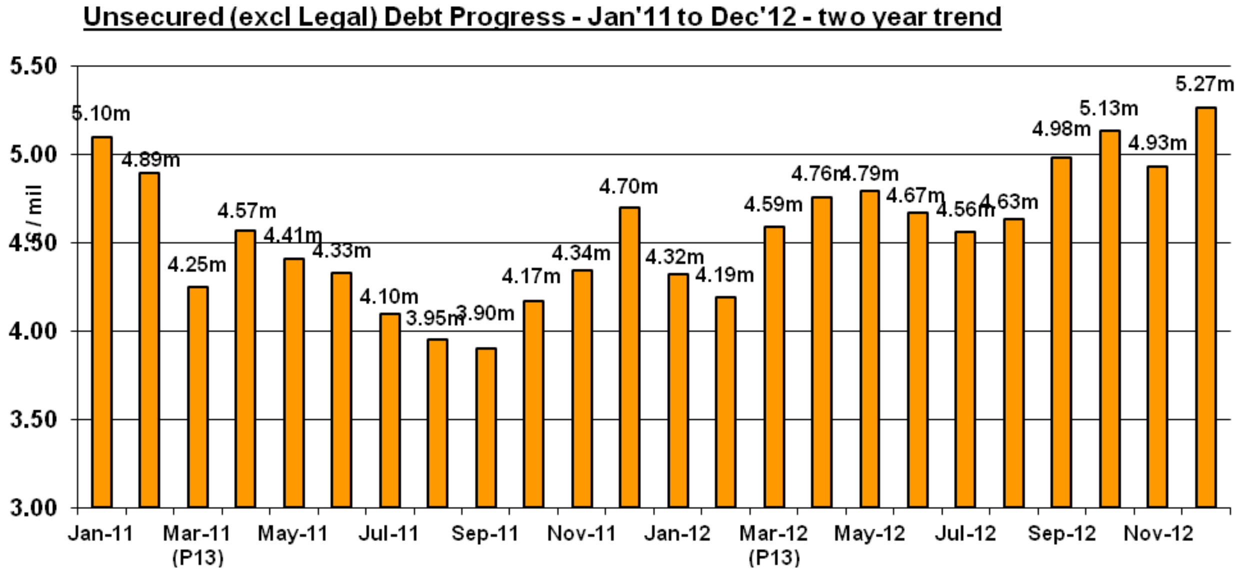
14. New debt of £3.37m was raised in December. The total debt on the system may be summarised as follows:

	£m
Less than 30 days old (including new charges raised, not yet overdue, not otherwise covered by this report)	**3.28**
Secured debt	**7.36**
Unsecured debt	**7.14**
Total	**17.78**

Unsecured Social Care Debt currently stands at **£7.14m** of which **£1.88m** is referred to Legal Services and remains as open cases. As at

31 December, 104 accounts (with balances over £75) have been written off in 2012/13, to a value of £346,244.

15. This leaves a further collectable debt of **£5.27m** of which **£4.66m** is less than two years old. While this figure has risen slightly from the October figure of £5.13m reported to the Committee's previous meeting. The increase is greater against November's figure, but that is likely to reflect Christmas factors to some extent.

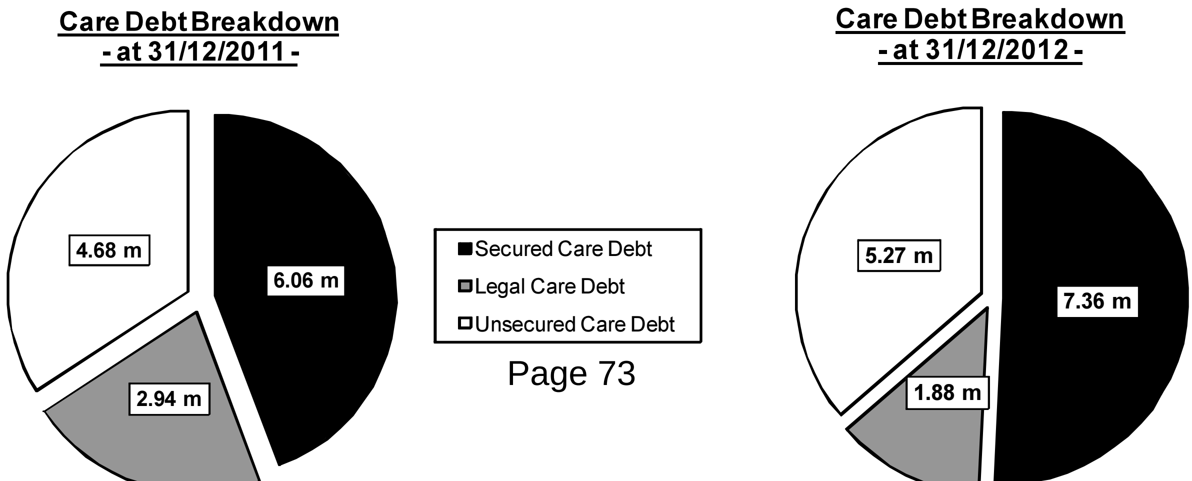


16. While the position does fluctuate month to month, recent trends highlight the need to work on improvements to debt collection processes. That is the focus of the actions set out in paragraph 7 above.

17. Of the collectible debt, £0.53m is monitored by the Adults Deputyship Team. The majority of the outstanding debt , £0.47m relates to just 11 accounts, two of which are pending probate, seven of which are with the Court of Protection pending the appointment of a Deputy or pending an application to the Court, one is under investigation to establish the person's true financial person and one account is being reverted to the control of the person now that she has gained capacity to manage her own financial affairs. A further **£7.36m** is currently secured against property.

Debt Profile – December 2011 to December 2012 Comparison

18. The following graph demonstrates how the profile of social care debt has changed over the period.



Legal Action Cases: Update to 31 December 2012

19. Since May 2008, 179 cases have been referred for legal action amounting to £4.87m at the date of referral. 63 cases are "open" with a current debt value of £1.88m.

20. £2.22m has been recovered and "banked" (£2.04m net of costs), with further sums due under instalment arrangements, secured by charging order, or otherwise agreed to be paid and not "in dispute":

Paid: £000	Due by Instalments £000	Secured by Charging Order £000	Not in dispute: £000	**TOTAL (Gross) £000**	**TOTAL (Net) £000**
2,222	52	163	327	**2,764**	**2,578**

21. In summary, £2.76m gross (£2.58m net) has been banked, secured or agreed to be paid.

Conclusions:

Financial and value for money implications

22. The more debt that is recovered, the less provision for bad debt ASC will need to make, therefore spending more on service users. It is vital that the County Council can continue to satisfy, to the best of its ability, the demands placed upon it and good debt-raising practice together with timely debt-management makes a major and positive contribution. The recent adverse trend is a cause for concern, and has led to the initiatives set out in this report, the impacts of which will be closely monitored.

Equalities Implications

23. Charging for all Adults Care services is assessed against the ability to pay or contribute. This is a consistent process and is applied fairly, based on national guidance and local discretionary policy.

Risk Management Implications

24. Risk is mitigated by the maintenance of financial provisions in the Council's balance sheet, in the event of an estimated percentage of non-payments. Appropriate measures are now in place, which seek to eliminate and minimise as many risks as possible by continual process improvement, accountability and high-standards of administration.

Implications for the Council's Priorities or Community Strategy

25. Debt management is a high priority for the Council and this subject is now addressed in a more concerted manner at both member and officer levels particularly given the current pressures.

Recommendations:

26. The Committee is asked to note this report.

Next steps:

A further report be brought to the Committee's meeting on 18 April.

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Sources/background papers: SAP Reports

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