

## AUDIT AND GOVERNANCE COMMITTEE 23 SEPTEMBER 2022

### PEOPLE DIRECTORATE – DEBT POSITION STATEMENT

#### Recommendation

1. The Chief Financial Officer recommends that the Debt Position Statement for the People Directorate be noted.

#### Overview of People Directorate Debt Levels

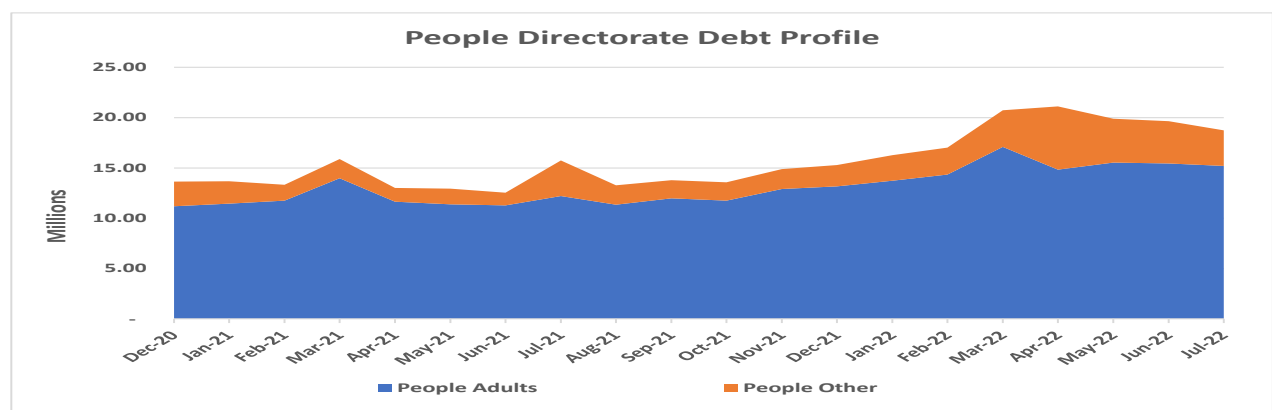
2. The People Directorate is responsible for the collection of fees and charges in respect of Communities, Public Health and Adult Social Care (ACS). As at 31 July 2022, the total value outstanding was £18.7 million of which 60.7% was aged more than four months old.

Debt @31 July 2022	Up To 30 Days	Installment	31 to 120 Days	121 to 365 Days	>365 Days	Total	No of Customers
People - Adults	2,526,962.50	408,610.62	2,839,817.47	4,629,137.74	4,793,145.58	15,197,673.91	5,991
People - Communities	287,912.67		600,175.84	956,356.07	984,036.95	2,828,481.53	313
People - Public Health	367,905.35		324,853.50	585.14	18,753.65	712,097.64	26
<b>Total</b>	<b>3,182,780.52</b>	<b>408,610.62</b>	<b>3,764,846.81</b>	<b>5,586,078.95</b>	<b>5,795,936.18</b>	<b>18,738,253.08</b>	<b>6,330</b>
% of Total Debt	17.0%	2.2%	20.1%	29.8%	30.9%		

**Table 1: People Directorate Debt Outstanding @ July 2022**

3. We have reviewed the debt data since December 2020 and as can be seen in Tables 2 and 3, there is an upward trend in the value of debt with Adult Social Care Debt increasing by 36% (to £15.2 million) and other service Areas by 4% (to £5.0 million) as at 31 July 2022. Table 3 below provides further detail of this. This is despite the increasing focus and spend on debt collection in this area. Information from other Authorities would indicate the same trend.

**Table 2: People Directorate Debt – Trend Analysis**



**Table 3: People Directorate Debt – Trend Analysis Detail**

Period	People Adults	People Communities	People - Public Health	Total
Dec-20	11,194,299.07	2,346,505.37	101,663.18	13,642,467.62
Jul-21	12,201,387.11	3,523,301.19	24,839.04	15,749,527.34
Aug-21	11,350,805.34	1,892,969.57	24,381.80	13,268,156.71
Sep-21	11,979,245.01	1,786,889.02	23,447.56	13,789,581.59
Oct-21	11,761,296.63	1,795,436.88	23,450.56	13,580,184.07
Nov-21	12,911,491.31	1,860,683.79	116,514.19	14,888,689.29
Dec-21	13,174,154.81	2,004,444.04	111,402.60	15,290,001.45
Jan-22	13,739,825.40	2,400,979.16	130,611.98	16,271,416.54
Feb-22	14,347,601.79	2,382,178.60	301,414.49	17,031,194.88
Mar-22	17,097,651.76	3,354,593.19	284,873.32	20,737,118.27
Apr-22	14,831,317.03	6,082,082.27	207,267.33	21,120,666.63
May-22	15,535,167.40	3,996,497.92	371,825.95	19,903,491.27
Jun-22	15,445,033.00	3,828,380.35	378,025.37	19,651,438.72
Jul-22	15,197,673.91	2,828,481.53	712,097.64	18,738,253.08

4. Further detailed analysis of the ASC debt is included below. The figure for Communities includes an amount of £1.1 million which relates to sums invoiced to the University of Worcester in respect of shared costs for The Hive. This invoice has been disputed by the University and the Council's Legal Team are currently exploring the options for legal recovery of this debt.

#### Adult Social Care (ACS) Debt

5. Charges in respect of ASC are levied against Commercial Organisations, Health Authorities, Local Authorities and Individuals. The 31 July Debt position for each of these groups can be seen in Table 4. (This debt position does not include Deferred Payment Agreements, which are explained in paragraph 14.)

**Table 4: ASC Debtors Categorised**

Debtor Category	Up to 30 Days £	Installments £	31 to 120 Days £	121 to 365 Days £	>365 Days £	Total £	% of the Total
Commercial Organisation	3,002.53		68,281.43	32,062.40	173,276.83	276,623.19	1.8%
Employee					1,080.82	1,080.82	0.0%
Health Authority			513,792.25	1,298,072.46	36,350.22	1,848,214.93	12.2%
Local Authority	5,600.00		27,900.00	5,578.29	24,631.33	63,709.62	0.4%
Individual in receipt of care	2,518,359.97	408,610.62	2,229,843.79	3,293,424.59	4,557,806.38	13,008,045.35	85.6%
<b>Total</b>	<b>2,526,962.50</b>	<b>408,610.62</b>	<b>2,839,817.47</b>	<b>4,629,137.74</b>	<b>4,793,145.58</b>	<b>15,197,673.91</b>	<b>100.0%</b>

6. Individuals in receipt of social care provision are required to financially contribute towards their care based on their financial position. Care is procured by the Council and charges are invoiced monthly in arrears.

7. Table 5 below shows the value of charges raised for the 12 months up to 31 May 2022, collection rates for all residential and domiciliary customers is 84%. However, for those ASC clients (approximately 37%) who pay by Direct Debt, collection rates are significantly improved at 97%. For service users paying by an alternative method, the collection rates are less successful, with £4.6 million (23.3%) unpaid.

**Table 5: ASC Monthly Invoices issued between 1 June 2021 & 31 May 2022**

	Invoiced Value	Paid	% Paid	Unpaid	% Unpaid
Total	£32,095,893.62	£27,119,250.69	84%	£4,976,642.93	15.5%
Breakdown					
<b>Paid by DD</b>	£12,035,706.08	£11,726,330.05	97%	£309,376.03	2.6%
<b>Non-DD</b>	£20,060,187.54	£15,392,920.64	77%	£4,667,266.90	23.3%

8. An analysis of the debt over 365 days at Table 6.

**Table 6: Adult Social Care Age of Debt over 365 days**

Year Raised	Debt > 365 Days	
	£	%
2013	1,074.06	0%
2014	9,717.13	0%
2015	42,478.41	1%
2016	126,428.60	3%
2017	392,669.27	8%
2018	561,879.86	12%
2019	803,940.96	17%
2020	1,920,939.22	40%
2021	934,018.07	19%
<b>Total</b>	<b>4,793,145.58</b>	<b>100%</b>

Transfer of Residential Charges from Providers to WCC

Covid 19 Impact

9. This shows that 76% of the current debt relates to invoices raised since 2019. The table has been annotated to show the 2 key factors that are likely to have contributed to steep rise in debt levels. These being:

- the transfer of invoicing residential care client charges for Care Providers from Liberata to WCC in 2019. Which significantly increased the volume and value of invoices being generated:
- the Covid 19 pandemic. Where service users may have received disrupted services and may have been unable to physically make payments for a prolonged period.

10. It can be argued that the key factors outlined above together with the wider discussion and uncertainty in respect of future ASC charges (now being considered under the Care Cap initiative) has negatively impacted individual's propensity to pay for Adult Social Care. WCC urgently needs to re-engage with these individuals to address this behaviour and change the direction of travel.

11. Legal action is currently being pursued in respect of 118 social care customers for debt value of £2.5 million, with £1.4 million of this value being over 12 months old. Work is ongoing to refer further cases (where possible) over 12 months old and these are being prioritised by value. There are also 1,149 customers in this category (i.e. debts over 12 months) with debts under £1,000 totalling £418k). Note 763 of these customers (£289k) no longer have an ongoing service and consideration may need to be given to writing off some of these debts. This will allow the debt team to focus on those debts where there is a greater chance of recovery. The criteria for write off would need to be understood and costed.

12. The Finance Operational Services (FOS) Debt and Legal Teams continue to chase debts outstanding. Given the scale of the task and the resource available, this is likely to take some considerable time. The Team continues to review the resourcing of this activity and whether external collection provision should or could be used. However, such a move could attract negative publicity, particularly during the “cost of living” crisis.

13. In light of the increasing debt levels, the FOS teams are considering a number of initiatives to improve client engagement and increase payment levels. Specific projects, as well as legal action noted above, include:

- the implementation of an enhanced Billing Module within the Social Care Case Management System, which will provide service users with a monthly holistic view of their account including care provision and payment information to date rather than the current provision of individual monthly invoices.
- progressing the implementation of paperless Direct Debit (DD) functionality, which will make it easier for clients to sign-up for DD collection. As shown above, this has a major impact on payment levels, and we propose that DD be promoted and marketed as the default payment channel for collecting social care charges.
- visibility of debts are now shared with ASC service teams and budget holders on a monthly basis with some teams actively engaging with service users (or their representatives) regarding debt levels and payment activity.
- FOS and the People Directorate are planning to further explore how communication with clients in respect of their financial obligations for care provision can be improved. Client (and/or their financial representative) feedback suggests that in certain cases the nuance of the individual’s financial obligation is lost when dealing with wider care needs. This creates an expectation that care will be fully funded by the Council and changing this perception at a later time, when debt has accrued, can often be extremely challenging, particularly when invoices are issued several months after initial contact from the team.
- Finance continue to review the bad debt provision, which at this stage is felt adequate to provide for the current position.

14. In addition to the ASC invoiced debt noted above, the Council has a longer-term debt that it recognises of £2.7 million (as at July 22) relating to Deferred Payment Agreements. In these cases, eligible service users enter into a legal agreement whereby a charge is placed against property by the Land Registry to secure the Council’s debt. During the lifetime of the loan, daily compounded interest (currently 1.55%) is applied and statements are issued to the service user/representative/estate every 6 months to show the balance of accrued debt. The rate of interest is set nationally. Cases are reviewed annually, and property equity is monitored against current market values. Agreements end on death of the service user or on

the sale of property, the loan is repaid in full and the charge against property is lifted. The Council currently has 76 Deferred Payment Agreements in place.

### **Contact Points**

Michael Hudson, Chief Financial Officer, 01905 845560, [mhudson@worcestershire.gov.uk](mailto:mhudson@worcestershire.gov.uk)

### **Background Papers**

In the opinion of the proper officer (in this case the Chief Financial Officer) there are no background papers relating to the subject matter of this report.