

# **Cabinet**

**30 January 2020**

## **Adult Direct Payment to Gross Payment**

### **Recommendation**

That Cabinet agree to commence paying Adult Direct Payments as a Gross payment and invoice all customers for their Social Care financial contribution.

### **1.0 Key Issues**

- 1.1 Direct Payments are cash payments made to eligible customers who request to make their own arrangements under the Care Act 2014. The Care Act 2014 allows Councils to choose how they make these payments and roughly split authorities choose one of the two approaches; either making net or gross payments. Warwickshire County Council currently makes net payments into the customer's account. This means customers must pay their own assessed contribution into their direct payment account. This presents several issues and on August 12<sup>th</sup>, 2019 Social Care and Support Management Team (SCSMT) agreed to progress with a proposal to move to making gross Direct Payments. This paper provides a briefing on the key factors agreed by Social Care and Support Management Team in partnership with finance to support a recommendation to move forward with the Gross method of payment. The purpose of this reports is to seek the support from senior managers and members to implement this change.

### **2.0 Options and Proposal**

- 2.1 Warwickshire County Council have a duty to provide money into someone's Direct Payment account if a customer request's one and they meet the conditions for the Council to make the payment. This amount is based on the agreed Personal Budget to enable the customer to purchase the care the Council have assessed them as needing; it is the Council's right to charge them for this. Currently in Warwickshire, adult Direct Payments are paid net of the customer contribution. The customer is required to pay their assessed contribution into their Direct Payment account (or the third-party managed account held by an external provider).
- 2.2 There are around 1100 customers who receive ongoing adult Direct Payments. Based on the current number of Direct Payment customers recorded in Mosaic on 12/08/2019, the number of people who contribute to their Direct Payment is 566 (ongoing payments) with a total income value of £1,774,371 per annum being made. Of this, we understand under the net system around 10% is never paid which suggests that around £1,596,934 of income is contributed by customers towards their Direct Payments. Not paying the contribution leaves customers with shortfalls that place them at risk of not being able to purchase their care and support. Based on the information in Mosaic August 2019, making gross payments to adults who receive Direct Payments

would see payments made by the Council of £18,313,525 per annum compared with the current payment of £16,539,154 per annum being paid to these customers. There is no increase in the Council's commitment. This is already reflected by the way the finance ledger records Direct Payments when the personal budget is agreed - it is already recorded as gross expenditure and income from the onset. The change in the way we make the payment as Gross would be netted off by the income recovered with no increase in personal budget costs.

- 2.3 Adult Social Care and finance have been working in close partnership supporting the joint proposal. The main reasons listed below for proposing a move from net to gross payments are:
- To standardise debt management and income control
  - To reduce risk of default
  - To meet audit requirements around invoicing
  - To enable Direct Payment customers to have the opportunity to take part in the direct debit and income initiatives being introduced by the Council
  - To improve the level of contribution from customers who are assessed as being able to contribute to their care and support costs;
  - To simplify the process for customers and practitioners; and
  - To enable staff time to be used more effectively
- 2.4 Around 60% of third-party managed account contributions are not being paid correctly. This is problematic and presents a risk of customers being unable to purchase the required level of care and support. Social Care and Support teams report on average that they pay out around £5k per week to top up accounts that run short due to non-payment or incorrect payment of customer contributions. This is to enable customers to pay for the support already received. These are not factored in when the initial Personal Budget is agreed. It is difficult to gather a more accurate figure about these current ongoing top up payments or the cost of resources absorbed due to non-contributions. These unforecasted additional payments would cease with Gross payments
- 2.5 The National Association of Financial Assessment Officers (NAFAO) benchmark in 2017 highlighted that of the 41% of Councils who responded, 7% were moving to gross payments due to Councils who have changed achieving higher contribution recovery rates. Many Councils may not have responded as they already pay gross. York Council report that their decision to move from net to gross was the driver to recover the 20% of unpaid Direct Payment customer contributions and now achieve a 99% recovery rate via invoiced contributions. Wolverhampton are the most recent Council to move to Gross payments based on a similar experience and the need to know who is making a contribution and who is not. Research has highlighted that Councils struggle to know who is contributing to their Direct Payment and whilst we requested facts and figures, of the Councils approached in the West Midlands region they reported they did not collate this type of data when paying net.
- 2.6 From WCC's processing and reporting perspectives, gross payments are the preferred option as it standardises the process that we have with commissioned care for debt management and invoicing.
- 2.7 The crux of the decision is based on risk: net payments create a risk that someone's support needs are not being met if they fail to contribute to their cost of care, with

gross payments creating a risk that the Council will not receive a client's contribution to their cost of care. By moving to gross payments, we dramatically reduce the risk of someone's support needs not being met and increase our ability to identify who has not made their assessed contribution to their cost of care, this will enable us to utilise the debt management system in a fair way. The Income Control Team for social care contributions achieve a 93% recovery rate within 12 months, so standardising DP contributions into this function is expected to be more effective.

2.8 There is no impact on Children's or Carers Direct Payments as these are not chargeable.

2.9 Benefits to the customer of moving to gross;

- Their account will have the full Personal Budget amount deemed by social care as necessary to pay for the level of care they need. Their ability/willingness to contribute is separated from this process.
- Some customers (especially those with third party managed accounts) are considered to have difficulty managing their finances - this removes one step of complexity from the process and ensures the managed account service can pay for the support without any delays.
- They will see the end of requests for backdated contributions and overpayments to be paid back to the Council.
- It will allow customers to use Direct Debit (once live) to pay their contributions to the Council.
- It makes it easier to follow for those customers who have mixed arrangements of Council and Direct Payments. For those customers who change back and forth from Council and Direct Payments. The contribution route would not change when paying as Gross.

2.10 Risks to the customer of moving to gross;

- Whilst the same process currently applies for all Direct Payments, there will be a quicker response for unpaid contributions as the debt recovery process will be followed and escalation to legal services will be carried out in accordance with this process.

2.11 They may consider that we are paying them money just to invoice them for it back again (but DPs must be in a separate bank account or on a pre-loaded card as it is not their money and the contribution must come from their personal money).

2.12 Benefits to WCC of moving to gross;

- Aligns with commissioned care contribution process.
- Time saving in the Direct Payment Independent Living Team calculating the contribution to be made and backdating contributions. Time would shift to processing new and change referrals in a timely manner.
- Time saving in the Direct Payment Monitoring Team, checking for contributions. Time would shift to balance out raising invoices, income collection and debt recovery.
- Operational teams' time saved in resolving unpaid Direct Payment contribution queries and financial cost of paying in additional funds to accounts which do not have enough monies to pay for received care.

- Efficient record keeping through Abacus of missing and incorrect contributions will provide a clearer audit trail relating to each individual customer. Currently 60% of third-party managed accounts remain unpaid or are incorrect; these statistics are stored by the third-party provider. We are unclear of the true figure for non-managed accounts but statistics in July 2019 show 24% of queries for Direct Payment monitoring relate to unpaid or incorrect customer contributions.
- Simpler monitoring process and better understanding by removing the impact in the account of incorrect or unpaid contributions. This will enable the Council to clearly see what they can recover in surplus/overspent accounts faster and trigger a Direct Payment review. It will also allow for time better spent on dealing with DP queries and providing support.
- Better understanding of overall social care debt levels and subsequent risk mitigation. By invoicing all customers, they will all be treated the same. Currently for Direct Payment customers it is complex, and they have a variety of options to repay. They sometimes choose to pay money into their Direct Payment account which absorbs resources in checking and chasing when not done. Some customers will reduce the amount of care they purchase to avoid making their contribution towards it.
- Simpler process for customers should lead to an increase in DP take-up.
- Easier for front line staff to explain how a customer pays their contribution.
- No financial cost incurred to the Council for uploading the contribution to the prepaid cards.
- One form of communication for Social Care charging.

#### 2.13 Risk to WCC of moving to gross;

- There is a financial risk of paying out more at the payment point and not revering the income as with other services.
- Increases in invoicing which could add another 4000 invoices to the 65,000 currently processed.
- Currently 566, which is 44% of customers, contribute towards their Direct Payment. This equates to a total income value of £1,774,371 pa. It is difficult to gather an accurate unpaid contribution amount, however it is estimated that only 10% of this total is never paid, i.e. £180k.
- Based on the information in Mosaic for Adults Direct Payments for all Direct Payment customers the gross annual cost is £18,313,525. Currently based on net payments we pay out £16,539,154. The Council would be paying out an additional £1,774,371 by paying gross.
- There would be a requirement to invest in resources required to manage contribution and debt collection, but this could be balanced out with the change for work involved when carrying out the monitoring of the direct payment.
- Perception of the change. This may be perceived as a step away from allowing customers to manage their finances. Good communication with customers may mitigate this; a short public consultation (formal or informal) will assist with introducing this change similar to the prepaid card introduction recently offered to Direct Payment customers.

#### 2.14 In conclusion, payments made net are problematic, resource heavy and prove difficult for many customers to understand what is required of them. Moving to a Gross system

will ensure all customers are treated fairly and the same whether they choose traditional routes of receiving a commissioned service or via Direct Payments. It will enable the separation of contributions and Direct Payment discussions to take place. Whilst there may be a risk of not recovering the additional cost being paid out up front, other Councils who have moved to Gross are reporting a higher collection of Direct Payments contributions than when they paid net.

- 2.15 The Council has an established system in place to invoice all customers for their contributions which with some system changes would absorb the Direct Payment customers. The change would mean less confusion for customers and staff with one central point for contribution enquiries and queries rather than several departments being part of the conversation. Resources would be used in a more efficient manner to deliver a more efficient Direct Payment service for the customer. There are benefits to the customer in offering a less complex system for charging and Direct Payments.
- 2.16 The benefits of moving to Gross will enable the Council to process Direct Payments in a more effective way.

### **3.0 Financial Implications**

- 3.1 The proposal to move to gross payments transfers risk from Social Care to Finance. Currently the risk is that people do not have sufficient funds to buy the care we have assessed them as needing, which we mitigate with irrecoverable emergency payments, or by customers getting by with less care. Under gross payments, the risk is that we will not recover the contributions we have initially paid on the customer's behalf. This is mitigated by the fact that debt recovery is brought into the standardised processes within the central income management team, who currently recover 93% of social care contributions within 12 months. The financial risk, therefore is around the remaining 7% of £1.7m Direct Payment contributions: £120,000. Considering the estimated, but unmeasured, amount of emergency payments currently made, a move to gross should not have a detrimental impact on the authority's finances. There is no increase in processing cost as the processing of additional invoices required is balanced by the simplified Direct Payment Monitoring procedure.

### **4.0 Environmental Implications**

- 4.1 None known.

### **5.0 Timescales associated with the decision and next steps**

- 5.1 Communicating the change will be delivered using the method recently delivered for prepayments cards. A series of drop in events will be available across the County alongside the Council's formal communication channels for delivering a customer change.

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This report was circulated to the following members prior to publication.

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