

Impact of Change to the Council's Payment Arrangements

This Note sets out the expected impacts of a change from the existing payment arrangements in respect of residential care to one in which the Council pays the full amount of the payment to the Provider and recovers contributions direct from the service user and third party themselves without any involvement of the provider.

The payment arrangement which has been assessed is one in which both Resident Contributions and Third Party Contributions are paid in full to the Provider and contributions are recovered by the Council without involvement of the Provider. An arrangement under which the Resident Contribution continues to be dealt with on the current basis and the Third Party Contribution is dealt with on the changed basis has not been assessed.

It can be expected that if the impacts of making the change for both types of contribution are significant, then the impacts involved in managing two different arrangements for the payment of contributions would be even greater

A change in the arrangement from the current system will change current processes and will create a number of challenges to the Council and will likely lead to a number of consequences both operationally and financially.

Operational Impact

- a) The financial functions of the Mosaic social care information system will not be implemented until March 2019 at the earliest. It is expected that once the financial functions of Mosaic are operational it will be possible technically to change the system to accommodate the changed payment arrangements relatively easily. At this point, however, it is unknown if the present system, Abacus, can switch to the changed payment arrangements without substantial investment and/or significant manual intervention
- b) The change to the payment arrangements effectively transfers the responsibility for the collection of Resident Contributions and Third Party Contributions to Serco. Therefore the collection and administration of overdue charges also transfers from providers to Serco which will require significant additional investment in the Credit Control Team (see the Financial Impacts below).
- c) The impact of the change will directly affect Serco's organisational structure both within their Adult Care Financial Assessment and Credit Control teams, income and existing adult care payment functions and would require additional resources and overheads to be able to meet the principles of the new process.
- d) Serco estimate that the change will require two additional separate billing runs per 4 weekly cycle with around 4,000 invoices on each run (3,400 estimate but around 4,000 monthly transactions required) one for Third Party Contributions and the other for Resident Contributions. These additional customers would need to be managed through the Agresso Finance System,

and is likely to produce around 8,000 additional items to be issued.. Finally the 8,000 items would then need to be chased through the credit control and income processes (including payment systems). The change would involve the management of around 8,000 new customers on Agresso and associated payment allocations (incl. additional Masterdata requirements within the AP team).

- e) As a result Serco will also need to recruit extra resources currently estimated at 11.5 Full Time Equivalents (FTE's) including two additional manager roles. Our experience over the last 3 years is that Serco has struggled to retain and recruit experienced staff in the Adult Care Finance function. There is a real risk therefore that would not be able to recruit sufficient staff.
- f) Serco overhead requirements would also increase to cover the setup, transition and facility overheads required. It is unlikely that this proposal could be delivered from 2nd/3rd floor of Thomas Parker House as it presently stands due to capacity and there are currently no other accommodation proposals.
- g) There is likely to be an increase demand on services delivered by the Adult Care & Community Wellbeing Finance Team in monitoring the impact of changes to process including an increase in bad debt, third party top up and payment queries.
- h) There is also a risk that these changes may also add some additional demands upon assessment and care management teams capacity but at this time it is not possible to quantify the possible impact."
- i) There will be a requirement to ensure that fieldworkers are aware of any changes which will require additional training resources.

Financial Impact

- a) The change of payment arrangements effectively transfers the responsibility for the collection of Resident and Third Party Contributions to the Council and through the Council to Serco; it also increases the risk of non-payment to the Council. This can be assessed by comparing rates of unsuccessful collection of service user contributions for home care, where payment is made gross with those for residential care under the existing payment arrangements.
- b) The current rate of unsuccessful collections of service user contributions for non-residential care is approximately 2.5%.
 - i. A similar rate of failure in residential Resident Contribution collection would result an additional 1500 lines of debt per month with an estimated annual value of £0.634m based on the current income budget
 - ii. The current annual value of Third Party Contributions is £0.317m. Of this half are secured via a Deferred Payment Agreement. Therefore

based on the current rate of unsuccessful collections it is estimated that only £0.004m of this funding would be at risk.

- c) The change may result in an increased legal resource requirement in order to process claims for non-payment that progress to the courts
- d) Potential impact on council cash flow through the payment of additional fees to providers
- e) The increased administrative burden on Serco colleagues will require additional financial contributions from the Council. Serco has provided an estimate of the cost which shows an annual increased staffing cost of £301,199, one-off transition costs of £100,000 and annual increased overhead and non-staffing operational costs of £300,000.
- f) Of the non-staffing operational costs a significant proportion is rental which may be considered to be a consequence only of the position of Serco in relation to their specific building and not a cost of the move to a different payment arrangement in itself. However even taking these costs out entirely means that the increased cost to the Council of moving to a different payment arrangement is assessed at:-

Year 1 - £634,000, £301,199 and £100,000 = £1,035,199

Year 2 onwards £634,000 and £301,199 = £935,199

- g) These are significant sums which would need to be taken from frontline expenditure and at a time of general financial austerity and uncertainty for the Council. The Council said this in the introduction to its budget for 2018/19

"This report sets out a two year financial plan for revenue and capital budgets to take the Council to the end of the four year funding deal from government. This is the first time in four years the Council has been able to develop budget plans for more than the next financial year. The Council continues to face significant reductions in government funding, growing cost pressures from demand led services such as adult and children's social care, waste disposal and the Council's responsibility to pay staff and some contractors the National Living Wage. Uncertainty around government funding beyond the four year funding deal (which runs from 2016/17 to 2019/20) means the Council doesn't consider it practicable, at present, to develop sustainable long term financial plans into the next decade."

- h) The Appendix to this Note identifies some of the assumptions underlying the above financial assessment and therefore some of the risks attached to that assessment. In particular it can be seen that assumptions are made about the technology platform and in particular the ability to generate automatic invoices in Mosaic and to be able to automatically load service user and third party records into Agresso. If either of these assumptions turn out to be incorrect the staffing requirement and therefore the cost of administering a different payment system will increase.

- i) In fact as already indicated the Mosaic financial functionality is not yet operational so this judgment cannot be made with certainty although it is expected that the required automatic invoicing will be available. Agresso is another matter. The Council's implementation of the Agresso system has been fraught with difficulty including major errors in its payments. Whether the system will support the automatic loading of service user and third party records is not clear.
- j) In addition to this the contract with Serco is coming to an end in 2020. Although it is capable of being extended a decision has not yet been made as to whether it will be. The Council could therefore relatively soon be changing the way in which its income receipts and payments are administered. Furthermore it is exploring options to change the way that it accesses the Agresso system with the possibility that it will access a hosted system under the control of a third party. It is not known what impact this may have on the resource requirements for changing the payment arrangements.
- k) The Council also needs to consider the scale of change which it will be undergoing in the next two to three years in relation to the processes, personnel, contractual arrangements and technology which underpin its administration of its payment and income recovery services. To make a change in its payment arrangements at the same time as making changes to those underlying processes is not something that a prudent authority would undertake. If the change to the payment arrangement is to be done at all it should be carried out when the underlying arrangements have achieved a degree of stability and reliability. If not there is a risk of failed services which will impact not just on the Council but also providers, service users and third parties.

APPENDIX

Risk	Mitigation
Being able to recruit an additional > 12 new members of staff within a small localised job market	Would need a potential job fair and or strategy to be able to build this level of additional head count
Physical space issue within TPH as this would change the current operating delivery model	Potentially working from 1 st floor TPH or an alternative LCC site
Figures based on Mosaic being able to auto invoice. If manual invoices are required to be created, we'd need significantly more staff to be able to produce the output required every four weeks	Confirmation that Serco staff won't be required to manually raise each sales order and that the system configuration is correctly built, tested and approved and fully operational.
We have no project resource time available to UAT, build or rollout any new system changes that would be required moving any existing systems to the new arrangement	Any project resource would need to be managed and rolled out by LCC
No resources available to manually create the required number of service users or 3 rd party records on Agresso	Auto loaded into Agresso

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