



## **CABINET – 2ND NOVEMBER 2016**

**SUBJECT: WRITE-OFF OF DEBT OVER £20,000 – BRINDAVON CARE HOME LTD**

**REPORT BY: ACTING DIRECTOR OF CORPORATE SERVICES & SECTION 151 OFFICER**

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### **1. PURPOSE OF REPORT**

- 1.1 On the 15<sup>th</sup> September 2009, Cabinet approved a write-off procedure for debts that are material, where the individual debt is greater than £20,000.
- 1.2 This report seeks Cabinet approval to write-off an outstanding debt exceeding £20,000 for Brindavon Care Home Ltd.

### **2. SUMMARY**

- 2.1 The Council collects very large sums of money from residents and local businesses each year and inevitably there are instances of non-payment. A 'firm but fair' approach has always been adopted and all legal means are pursued to recover monies owed. However, where the chances of recovery are slim and/or all legal means available have been exhausted the write-off of debts needs to be considered.
- 2.2 The regular writing-off of uncollectable debts is an important financial discipline. The Council would be criticised by External Audit if debts remained in the accounts when there is little likelihood of recovery.
- 2.3 This report seeks Cabinet approval to write-off an outstanding debt exceeding £20,000 for Brindavon Care Home Ltd.

### **3. LINKS TO STRATEGY**

- 3.1 To comply with Financial Regulations.
- 3.2 The writing-off of unrecoverable debts is an important element of prudent financial management. Effective financial management contributes to the following Well-being Goals within the Well-being of Future Generations Act (Wales) 2016: -
  - A prosperous Wales.
  - A resilient Wales.
  - A healthier Wales.
  - A more equal Wales.
  - A Wales of cohesive communities.
  - A Wales of vibrant culture and thriving Welsh Language.
  - A globally responsible Wales.

#### **4. THE REPORT**

- 4.1 Brindavon Care Home Ltd was a private care home of 32 residential rooms in Commercial Street, Aberbargoed. The home had been utilised by Caerphilly Social Services for the placement of residential care clients since its' opening in July 2009 but was placed into liquidation on the 24<sup>th</sup> June 2014.
- 4.2 Individuals placed in care homes by Social Services are subject to a means-tested financial assessment to determine what, if any, affordable contributions can be made to the cost of their care. The Authority 'tops up' the remainder of the actual cost due to the home.
- 4.3 Periodically many social care clients go through a health and needs assessment and some are found to be entitled to Continuing Healthcare (CHC) funding under the NHS. This CHC status meets the full cost of care and is often back-dated due to the length of time some assessments and appeals take. In these cases, all financial contributions that have been paid by the client are refunded by the Local Health Board and the care home fees are also retrospectively paid to the homes by the Health Board. In many cases Social Services may have already funded all (or a proportion of) the care home fees during this back-dated period and in these circumstances the Authority will invoice care providers to recover the charges that have been paid.
- 4.4 Historically, Brindavon Care Home Ltd always repaid the Authority for backdated CHC contributions. However, it was noted throughout 2013 that the company appeared to be experiencing cash flow problems. Instalment plans were therefore agreed with the company to repay some invoices and payments were initially received in accordance with the agreed payment plans.
- 4.5 However, in early 2014, the company stopped paying invoices. Numerous reminder letters were issued and several telephone calls were made, both by the Sundry Debtors Team in Corporate Finance and Social Services finance staff. On the 24<sup>th</sup> June 2014, the company was placed into liquidation.
- 4.6 Outstanding debts owed to the Authority amount to £40,510.97 in respect of 7 service users that were awarded CHC status and these debts were not recoverable during the liquidation process. It is therefore recommended to Cabinet that the outstanding debt of £40,510.97 is written-off.

#### **5. WELL-BEING OF FUTURE GENERATIONS**

- 5.1 Effective financial management is a key element in ensuring that the Well-being Goals within the Well-being of Future Generations Act (Wales) 2016 are met. The process of setting aside financial provisions for bad debts and writing-off unrecoverable debts ensures that financial liabilities are recognised as they occur and are not deferred as potential future liabilities.

#### **6. EQUALITIES IMPLICATIONS**

- 6.1 An EIA screening has been completed in accordance with the Council's Strategic Equality Plan and supplementary guidance. No potential for unlawful discrimination and/or low level or minor negative impact has been identified regarding this report; therefore a full EIA has not been carried out.

#### **7. FINANCIAL IMPLICATIONS**

- 7.1 A bad debt provision has previously been established for the outstanding debt in relation to Brindavon Care Home Ltd. The proposed write-off will not therefore have any impact in the current financial year.

## **8. PERSONNEL IMPLICATIONS**

8.1 There are no personnel implications arising from this report.

## **9. CONSULTATIONS**

9.1 There are no consultation responses that have not been reflected in this report.

## **10. RECOMMENDATIONS**

10.1 It is recommended for the reasons set out in the report that Cabinet approves the write-off of the outstanding debt of £40,510.97 in respect of Brindavon Care Home Ltd.

## **11. REASONS FOR THE RECOMMENDATIONS**

11.1 To ensure that unrecoverable debts are dealt with in accordance with the Council's write-off procedure.

## **12. STATUTORY POWER**

12.1 Local Government Act 1972.

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Background Papers:

Cabinet Report (15/09/2009) – Write-off of Debts