

Options Paper – Resource Deployment for Phase Two

1. Introduction

One of the key principles within the transformation of adult social care is that of giving customers more choice and control. The self-directed support process (SDS) is the means by which we will be delivering this. This includes giving customers choice over how they receive the money allocated to them. This is referred to as resource deployment.

2. Resource Deployment – Current Position

Resource Deployment describes the ways in which an individual or their appointed representative can decide how to manage their financial allocation within their individual personal budget. The resource deployment stage of the Self Directed Support process should follow on from a clear description of what needs to be achieved (the Support Plan). This is to avoid constraining the possible support planning options by prematurely deciding how to deliver the resources.

The resource deployment options for phase one of the SDS project are as follows:

- a. **Direct Payments** delivered by Merton's Direct Payment Team
 - i. The individual receives a cash payment (into a bank account in lieu of services)
 - ii. A nominated suitable person acting on the individuals behalf, receives a cash payment (into a bank account in lieu of services)
- b. **Directly Provided Services.** Merton manages the individual's personal budget and arranges services from its current contracted providers.
- c. **Virtual Accounts** managed by Merton Council. The Local Authority works on behalf of the individual, (who makes all the decisions) and acts as a bridge between their decisions and the services they wish to buy. Personal budgets allocated to clients and deployed as a virtual account, will be held in a client account (similar to a solicitor client account), which whilst held by the council would be ring fenced and protected. This system has not been utilised in Phase One and will now be replaced (see Merton Managed Accounts).
- d. **A combination of all/some of the above.**

As an authority we now need to look at further deployment options for Phase Two, which, will commence on 1st June 2010 in order to ensure even greater choice and control for our customers in how they receive their personal budget from Merton Council.

3. Phase Two Deployment Options

Merton is about to commence Phase Two of the self-directed support process, which aims to ensure that the tools, processes and systems to aid delivery of SDS, developed in phase one are fit for purpose. In phase two SDS will be rolled out across Adult Access & Assessment Teams to all new¹ social care customers. As part of this we have agreed to develop further options for resource deployment.

3.1 Pre-Paid Cards: Functioning as a debit card, loaded with credit by the council. They remove the need to open a separate bank account and provide the council and individual with full transaction records.

Prepaid cards work differently to normal credit or debit cards, as money is pre-loaded onto the card by the council and the card is then issued to the customer in receipt of the individual budget.

The cards can be topped-up at regular intervals or for one-off payments, and the funds are available to spend with any organisation able to accept card payments, or can be programmed to permit customers to withdraw cash from any ATM.

Pros

- Supports people who choose not to or are unable to receive money into a bank account, or those with debts/bankruptcy, as they do not require a banking relationship or credit approval.
- Promotes financial awareness and social inclusion for those customers who do not have banking facilities
- Releases administrative burdens around delivering and monitoring payments.
- Removes the need to provide financial records to the LA.
- Can enable Internet or telephone purchasing.
- Pre loaded cards can be issued for use with selected services/support (i.e. transport, gym membership etc).
- Enables LBM to apply 'lighter touch' with monitoring
- Enables LBM to streamline current finance processes and enables us to get money to our customers quicker
- Cuts out delays for money currently incurred by our Corporate Finance Dept which has previously resulted in LBM having to pay overdraft fees and other bank charges
- Dependant on providers of cards, BACS payments are possible
- Easier for LBM to audit money

¹ According to guidance, a new client is someone who is **not** "on the books" of the Council at the time of assessment. "On the books" is defined as receiving services (or having allocated services that are under **consideration**). A person who previously received services, but which has now ceased, is not deemed to be "on the books".

- Further benefits can be found in **Appendix A**

Considerations

- Can restrict how the money can be used (i.e. only usable with visa enabled suppliers and for cash withdrawals).
- Can restrict choice depending on the authorised 'spending categories' determined by the council.
- The card supplier for each card issued and for cash withdrawals makes charges to the council
- Customer needs internet access to get statements
- Customers are unable to add their contributions to their cards
- There will be significant costs involved (**See Appendix B**)
- Additional work required to ensure providers are geared up for accepting payments via Visa
- Incurs extra charges for setting up Direct Debits.
- Limits on cash withdrawals

3.2 Merton Managed Accounts: Part or an individual's entire personal budget is loaded onto their pre-paid card. This may be the option of choice if the individual is unable to access the facilities of a main bank or building society (i.e. unable to provide identity information) may have a poor credit rating, may previously been declared bankrupt, be overdrawn or may not have a network of friends and family who can help them. These accounts will replace the current Virtual Accounts that we offer. The way Virtual Accounts is currently set up necessitates us to do this. The team are currently using a bank account set up for Client Financial Affairs customers only and the legalities of doing this are open to challenge if large numbers of customers use the scheme as is.

Pros:

- Supports people who do not have a bank account.
- LBM would provide record keeping facilities.
- Supported managed accounts may be used for all or part of an individuals personal budget
- Enables collective purchasing for any number of individuals.
- Enables those with limited capacity or dementia to have a personal budget
- Can be used for customers who do not have adequate support to help them with the paperwork
- Can be used in Safeguarding cases
- Recommended to be used in conjunction with pre-paid cards

Considerations:

- Individuals will need to be kept informed of their balance regularly and verify bills and timesheets submitted for payment.
- Legal issues
- Additional funding required for post
- Defined processes need to be drawn up to ensure that only those who really need the support receive this service otherwise post holder could become overwhelmed with amounts of customers accessing this service.

4. Recommendations

It is recommended that Merton implement these two options. The key reasons for this are:

Pre-Paid Cards:

- Supports people who choose not to or are unable to receive money into a bank account, or those with debts/bankruptcy, as they do not require a banking relationship or credit approval.
- Releases administrative burdens around delivering and monitoring payments.
- Enables LBM to streamline current finance processes and enables us to get money to our customers quicker
- Easier for LBM to audit money

And for Merton Managed Accounts;

- Enables those with limited capacity or dementia to have a personal budget
- Can be used for customers who do not have adequate support to help them with the paperwork
- Recommended to be used in conjunction with pre-paid cards

4.1 Pre-Paid Cards

The recommendation is for the scheme to be piloted with our current customers using Direct Payments (approx 450). Our preliminary discussions with the Direct Payments Forum have been very positive with the forum members indicating they would be happy to pilot the cards.

It is envisaged that the pilot would be for approx 6 months. This would then give us the opportunity to iron out any problems and if required work with providers that do not currently offer the facility to pay by VISA. Whilst the preparation work will take place in Phase Two it is unlikely that the cards will be issued until Phase Three therefore it is recommended that the pilot run from 1st October in line with Phase 3 of the SDS process. It is recommended that all new customers join the pilot, as it would be inefficient to run two separate finance and monitoring processes.

In order to successfully carry out this pilot there will be a requirement for us to look at our current processes around Direct Payments and SDS and look for opportunities to streamline them. We would also need to include Audit and IT in this project to ensure all relevant parties are consulted with and processes are joined up. Consideration also needs to be given for consultation both with our customers and our providers from the outset.

Efficiencies will also be gained by simplifying our monitoring procedures. Currently forms are sent out to every one of our customers on a monthly basis and roughly 25% of our customers do not return their forms. Bringing in pre-paid cards eliminates the need for us to continue with this practice as the cards can be monitored via the web. It also eliminates the need for the member of staff to go out and visit customers, as all information is available in real time over the web.

Our preliminary investigations with other authorities have shown there are two providers who are leading the way with pre-paid cards. They are the Royal Bank of Scotland and Citibank.

Both these banks were invited into Merton to give presentations as to the services they provide.

Both banks offer similar products but both can vary in their key features and benefits.

RBS were the most expensive but their key benefit was the cardholder could top up their card. RBS also expected a 'know your customer' compliance, which made the process more complex.

Citibank offered key features such as BACS, no requirement for a 'know your customer' procedure and companions cards, which are additional cards that could be issued to a nominated person or a carer.

Citibank have also indicated to us that the more services join the scheme the more competitive the price to LBM. For the purpose of the pilot we propose to join up with the London Borough of Sutton. From initial discussions with Sutton they have indicated that they are also currently in talks with Citibank as their preferred provider.

Before we commit to Citibank as a provider we are also approaching the 3rd bank that provided us with pricing. This provider is Barclaycard and they will be coming in to demonstrate their product on 17th May. This will enable us to make a decision based on both the pricing submitted by all three providers and their product information.

Merton should also consider further applications for prepaid cards within the authority, in order to release additional savings. Both Citibank and Barclaybank have indicated that the costs to LBM are negotiable dependant on further cards being used. It is recommended that this be done after Community and Housing have carried out their pilot scheme. We will need to review the outcomes of the initial rollout in order to develop a plan for expansion of the scheme.

4.2 Merton Managed Accounts

It is also recommended that we go ahead with this deployment option in conjunction with pre-paid cards.

This will require the establishment of a new post. The duties will include managing customer finances, paying providers and invoices and managing the customer's budget on their behalf.

It has been agreed in principle by the SDS Subgroup 2 that this post be placed within the Direct Payments Team. This will need to be ratified by the Executive Board. The post holder will be required to link into the finance and monitoring processes and also be required to obtain customer information from the support workers. The DP team is

best placed to provide the knowledge and support required in order to effectively carry out their duties. It is also envisaged that they can support the current monitoring officer when absence on leave etc.

We have two options with this role. The first is to be very specific about who can access the service i.e. those with capacity issues as this will impact staffing levels or secondly we can make it inclusive to all but further staffing would be required as the scheme grows.

Consideration also needs to be made as to whether this should be a chargeable service.

It is proposed that this role commences on 1st June in line with Phase 2 in a pilot phase. This will give us an opportunity to fully scope out the role and devise processes and procedures and iron out any problems that may occur. It is then envisaged that the role becomes fully operational from 1st October 2010.

5. Other considerations

5.1 Resources and Service Costs

Resources will be required for the following;

Merton Managed Accounts Officer. Indicative grade SO1 (ME9) with on-costs is approx £33,000

In the short term staff in the Direct Payments Team will be supporting this role. This will be reviewed in the new financial year and funding will need to be obtained to support the post.

It has been agreed by Cabinet that this service will be chargeable. All customers of Merton Access & Assessment who complete an SAQ will have their eligibility for financial management support assessed. Within the SAQ there are two domains that assess the customers ability to manage their financial affairs. If and only if the customers have an eligible need for support within these two domains will monies be allocated by the RAS into the customers' indicative allocation.

At support planning the customer needs to show how the indicative allocation is being spent to meet their specific eligible needs, if they have an eligible need for financial management (as indicated within the two assessed domains in the SAQ) then they can choose to have a MMA (or other financial support service) which needs to be documented and costed within the support plan.

We anticipate at this time that we can support approx 100 customers.

Charges that have been agreed are as follows;

- A £5 set up admin fee (which will contribute towards the cost of the pre-paid card) and then £15.75 a month. We have tried to keep the rate competitive and in line with the cost of payroll services Merton use.
- We have also discussed charging a fee for one-off services or if customers will just require services to set up payments etc from the off set and then will

take the responsibility over for their finances. It is recommended that we charge £19.95 for this service.

Based on 100 customers paying £15.75 a month plus the set up fee would give us an income of approx of £20k per annum. It has been agreed by the Director that any income generated will be used to finance the pre-paid cards contract on an annual basis.

Marketing Budget – money will be required for us to communicate with all our current direct payment customers. Literature will need to be sent to ensure customers are informed as to the proposals and details to the scheme.

It is estimated that approx £1500 to £2000 is required. This is to be funded from the Adult Social Care Transformation Fund.

6. Next Steps

Preliminary consultation with Direct Payments Forum – 10th May
Presentation by Barclaycard to Merton and Sutton – 17th May
Discussion of paper with SDS Sub-Group 2 17th May
Submission to SDS Board for comments 24th May 2010
Executive Board 27th May 2010
Programme Board 27th May 2010 (TBC)

As well as the Options Appraisal a business case has also been submitted to the Executive Board.

Separate work has been carried out with a consultancy firm called Ticon. Ticon have been working in conjunction with the Direct Payments team to establish if there are any cashable savings or efficiencies to be made with pre-paid cards.

The outcome of the report concluded that there were efficiencies to be made regarding our processes but it is not yet clear whether these can be realised into cashable savings.

Appendix A - Pre-Paid Cards Matrix.

	Benefit to Client	Benefit to DP Team	Cost/Time Savings
Setting up Data	<p>No problems getting bank info to us. Delays may lead to bank charges to client</p> <p>Avoids money going into shared account with other Merton payments The card offers Merton and the service user more effective and responsive system of payment Access to banking facilities irrespective of incapacity, without credit check and despite any previous debt history.</p>	<p>Eliminates issues re changes to bank details/accounts. Recovering money sent to wrong accounts. Delays may mean Merton covers bank charges</p> <p>Eliminates issues with FMIS number already in use, money driven into shared bank account</p>	<p>Eliminates making several requests to add/change FMIS info</p> <p>Easier to reconcile payments</p>
Payments	Access to no more than the pre-loaded limit hence		Money stays in Merton's account for longer

	unintentional debts and overspend		
Remittance issues	Customers unable to understand remittance advice. Remittance not received or sent to wrong address	Eliminates remittance queries, saves Merton postage. Internal queries regarding remittances are eliminated.	Answering calls, Paying for return calls, letters of explanation
Monitoring	Customers no longer need to complete forms. Families, POA's etc no longer involved administratively.	D P no longer needs to issue, collate and file monitoring. Eliminates need to chase missing docs. Eliminates customers misinterpretation of monies held when several funding streams going into same account and incorrect accounting.	More efficient reconciling in 'real time' and savings for cost of issuing forms and envelopes. Home visits no longer required.
Recovery	Budgetary control with ready evidence available for Internal Audit		
	Customers, POA, family does not need to take action when money due back to us. Money no longer subject to probate.	Merton can recover the funds on request. Amount to be recovered know immediately. Money easily accessible when agencies have outstanding invoices and client has no other admin support	DP file can be finalised and closed faster and saves loss of potential interest by recovering money back to Merton account faster

Appendix B – Approximate costs for Pre-paid cards.

*All bank costs are indicative at this stage based on the information provided to date.

Prepaid Card Pricing

Ticon have worked with three issuing banks to provide the council with anonymous pricing. The costs associated with the cards have been discussed in detail with the council and are summarised below. This information has been provided commercial in confidence and should not therefore be shown to any prepaid issuing banks.

The information contained in the table has been based on an estimate of 480 clients with ongoing 4-weekly payments. Lost cards have been estimated at 3% and reversals have been estimated at fifteen per annum. For subsequent years, new card numbers have been estimated at 120 per annum to take into account new service users joining the scheme.

For each load onto the card, a single ATM cash withdrawal has been included in the costs during both year one and future years for each time the card is loaded. Bank A provides cardholders with one free ATM transaction as part of the load fee, which is incorporated into the figures below. Bank C charge a £1 fee for cash withdrawals (excluding one free cash withdrawal

Consideration needs to be made around the funding of these cards. One option would be to fund this under an 'invest to save' project. As Personal Budgets grows it will become likely that further staff would be required to support the monitoring process. As the cards remove many administrative burdens around monitoring and delivering payments the need for additional staff would not be immediate.

Bank Costs – Year 1

Scheme - Year 1	
No. of cards	480
No. of loads	13
Approximate lost cards p/a	3%
Total DP spend	£1,810,850.30
Payment reversal	15

Year 1	Bank A		Bank B		Bank C	
	Per card	Total Cost for Year 1	Per card	Total Cost for Year 1	Per card	Total Cost for Year 1
Scheme set-up fee		£6,000.00	£15.00	£7,200.00	£0.00	£0.00
Charge per card	£5.00	£2,400.00	£25.00	£12,000.00	£10.00	£4,800.00
Charge per upload	£2.00	£12,480.00	£0.00	£0.00	£0.00	£0.00
Charge for payment reversals	£5.00	£75.00	£0.00	£0.00	£10.00	£0.00
Cost of ATM cash withdrawals	£1.20		1% charge, £1 minimum		first free per month; £1 per transaction thereafter	
Additional Costs - Lost Cards	£5.00	£72.00			£5.00	£72.00
Additional Costs - Foreign Exchange transaction)					2.99%	
					£6.00	
COST		£21,027.00		£19,200.00		£4,872.00

Bank Costs – Year 2

Scheme - Year 2	
Total number of cards	600
No. of additional cards expected	120
No. of loads	13
Approximate lost cards p/a	3%
Approximate cardholder attrition	5%
Payment reversals	15

Year 2	Bank A		Bank B		Bank C	
	Per card	Total cost for Year 2	Per card	Total cost for Year 2	Per card	Total cost for Year 2
Scheme set-up fee	£0.00	n/a	£15.00	£1,800.00	£0.00	n/a
Charge per card	£5.00	£600.00	£25.00	£15,000.00	£10.00	£1,200.00
Charge per upload	£2.00	£15,600.00	£0.00	£0.00	£0.00	£0.00
Charge for payment reversals	£5.00	£75.00	£0.00	£0.00	£10.00	£0.00
Cost of ATM cash withdrawals	£1.20		1% charge, £1 minimum		first free per month; £1 per transaction thereafter	
Additional Costs - Lost Cards	£5.00	£90.00	£10.00	£180.00	£5.00	£90.00
Additional Costs - Foreign Exchange					2.99%	
Additional Costs - Cash over counter fee (per transaction)					£6.00	
COST		£16,365.00		£16,980.00		£1,290.00

Bank Costs – Year 3

Scheme - Year 3	
Total number of cards	600
No. of additional cards expected	0
No. of loads	13
Approximate lost cards p/a	3%
Approximate cardholder attrition	5%
Payment reversals	15

Year 3	Bank A		Bank B		Bank C	
	Per card	Total cost for Year 3	Per card	Total cost for Year 3	Per card	Total cost for Y
Scheme set-up fee	£0.00	n/a	£15.00	£0.00	£0.00	n/a
Charge per card	£5.00	£0.00	£25.00	£15,000.00	£10.00	£0.00
Charge per upload	£2.00	£15,600.00	£0.00	£0.00	£0.00	£0.00
Charge for payment reversals	£5.00	£75.00	£0.00	£0.00	£10.00	£0.00
Cost of ATM cash withdrawals	£1.20		1% charge, £1 minimum		first free per month; £1 per transaction thereafter	
Additional Costs - Lost Cards	£5.00	£90.00	£10.00	£180.00	£5.00	£90.00
Additional Costs - Foreign Exchange					2.99%	
Additional Costs - Cash over counter fee (per transaction)					£6.00	
COST		£15,765.00		£15,180.00		£90.00