



Committee and Date
Audit Committee
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Item

Public



Deferred Payments Management Update

Responsible Officer:	Laura Tyler		
email:	Laura.tyler@shropshire.gov.uk	Tel:	01743 253178
Cabinet Member (Portfolio Holder):	Ruth Houghton		

1. Synopsis

This report provides an update to the Audit Committee on the 2024/25 Deferred Payments, assessing progress on recommendations made in the 2021/22 audit.

This report sets out the future steps to address the outstanding risks, ongoing actions to address identified control weaknesses providing reassurance that the necessary improvements have either been implemented or are imminent to improve the assurance level.

2. Executive Summary

2.1. Background

The Financial Assessment Team is responsible for evaluating individuals' financial circumstances to determine eligibility for various support services and funding options. One of their key areas of work involves managing deferred payments, which allow eligible individuals to delay payment for certain services, such as residential care, until a later date. This process helps alleviate immediate financial pressure while maintaining access to essential services. The previous 2021/22 audit provided a Limited Assurance level due to several control weaknesses in income management, policy & process and system controls

2.2. Current Audit Findings (2024/25)

The 2024/25 follow-up audit identified a weakened control environment and made 19 recommendations, categorised as follows:

Total	Fundamental	Significant	Requires Attention	Best Practice
19	0	9	10	0

Key concerns include:

- **Income Management:** Timeliness of invoicing, calculation of interest, and documentation of final checks and agreement on deferred payment balances.
- **Policy & Process:** Inquiries regarding Legal Matters, Property Insurance Status, and Review of Deferred Payment Forms
- **System Controls:** Updating System with Accrued Interest Calculations

2.3. Assurance Level: Unsatisfactory (Weakening Control Environment).

2.4. 95% of recommendations are complete from the audit.

2.5. One recommendation (5%) was already part of the deferred payment process when the audit was carried out.

3. Recommendations

- 3.1 That the Audit Committee notes the corrective actions already undertaken and planned. The current situation is that all recommendations are either complete or in progress.
- 3.2. That officer responsible reports back on progress within six months of this report to demonstrate improvements in governance and financial control to finalise the improvements to the deferred payment agreement processes.

Report

4. Risk Assessment and Opportunities Appraisal

- 4.1 The audit highlighted high financial and operational risks, particularly in:
 - a. Financial Controls: Council may not recover Social Care fees to which it is entitled, which could result in reputational and financial impact.
 - b. Governance: Issues related to processes, controls, and policy approval have been identified as areas of concern.
 - c. Systems: There are fragmented methods used for recording account information, with manual calculations carried out across various systems. Management oversight is currently limited in these processes.

4. Addressing these risks presents an opportunity to:

- a. Improve our financial controls and ensure the recovery of entitled Social Care fees from Deferred Payments.
- b. Strengthening our governance through better processes, controls, and policy approvals which will lead to increased transparency and accountability.
- c. Streamlining systems and reducing fragmentation will improve data accuracy, reduce manual errors, and enable more effective management oversight, ultimately supporting better decision-making and resource allocation.

4.3. Risk table

Risk Area	Mitigation
Financial Controls	Implement robust financial controls, regular audits, and ensure prompt recovery of Deferred Payments.
Governance	Strengthen governance frameworks, standardise policy approval, and enhance process documentation and oversight.
Systems	Streamline systems, integrate data platforms and improve management reporting

5. Financial Implications

- Shropshire Council continues to manage unprecedented financial demands and a financial emergency was declared by Cabinet on 10 September 2025. The overall financial position of the Council is set out in the monitoring position presented to Cabinet on a monthly basis. Significant management action has been instigated at all levels of the Council reducing spend to ensure the Council's financial survival. While all reports to Members provide the financial implications of decisions being taken, this may change as officers and/or Portfolio Holders review the overall financial situation and make decisions aligned to financial survivability. All non-essential spend will be stopped and all essential spend challenged. These actions may involve (this is not exhaustive):
 - scaling down initiatives,
 - changing the scope of activities,
 - delaying implementation of agreed plans, or
 - extending delivery timescales.

5.1 The audit found financial inefficiencies in the management of Deferred Payments

- a. Interest charges are not currently applied to post-Care Act deferred payments due to system limitations
- b. Delays in recovering deferred debt due to ineffective recovery processes.

- c. Fragmented processes due to financial records being spread across multiple IT systems (LAS, ContrOCC, ERP, SharePoint, and some legacy systems).

5.2. Failure to address these issues may lead to

- a. Financial losses due to uncollected income
- b. Increased budget pressures
- c. Reputational damage for the Council.

5.3. This report sets out the measures that have both been implemented and are planned to substantially reduce the risks set out in section 5.

6. Climate Change Appraisal

6.1. There are no anticipated climate change or environmental impacts associated with the recommendations in this report.

7. Background

7.1. Full detail of recommendations has been summarised in appendix 1 and should be read in conjunction with this section.

7.2. All recommendations are complete.

8. Additional Information

No additional information is provided as part of this report

9. Conclusions

- 9.1. A structured action plan (Appendix 1) outlines specific corrective measures taken and planned, responsible persons, and deadlines.
- 9.2. Progress will be made with an updated report submitted to the Audit Committee within 6 months of this report.
- 9.3. Where possible, the highest risk recommendations were addressed immediately—either during the audit (and completed before the final report) or before the target completion date. However, with the recent formation of the deferred payment working group, further improvements are still underway.

List of Background Papers (This MUST be completed for all reports, but does not include items containing exempt or confidential information)

Internal Audit Report Deferred Payments 2021/22

Internal Audit Report Deferred Payments 2024/25

Local Member: ALL

Appendices

Appendix 1 - Audit Recommendations Table

Appendix 1

Audit Recommendations Table

Rec No	Recommendation	Rating	Responsible Officer	Target Date	Status	Comments
1	The queries and discrepancies in the draft policy should be discussed and agreed by the Team Leader: Financial Assessments and Legal Services, to ensure that the team's processes are consistent with the policy. The policy should then be agreed by DMT and ratified by Cabinet.	Significant	Kim Russon, Team Leader	31/12/2025	Complete	The discrepancies and queries have been resolved. The policy is being reviewed by Service Managers prior to presentation at SMT and is due to go to cabinet for sign off in February 2026.
2	The Adult Social Care Charging & Financial Assessment Policy for Residential Care 24/25 should include details of administration charges to be applied to Deferred Payment accounts when it is updated for 25/26. In addition, the administration fee should be reviewed, with methodology for calculating the fee recorded and authorised. This fee should then be reviewed on an annual basis, ensuring that it complies with the requirements of the Care Act, i.e., that the Council is not making a profit. Charges should be included in the fees and charges policy when submitted to Council for approval in line with the Council's Constitution.	Requires Attention	Kim Russon, Team Leader	31/12/2025	Complete	The Policy has been updated to include details of the Deferred Payment Agreement admin fees. The admin fee is under review by the Finance Business Partner and will form part of charges policy paper to cabinet when the budget is presented.
3	The Deferred Payment Agreement 'How to Guide' should be reviewed and updated; version control on the document should reflect this.	Requires Attention	Kim Russon, Team Leader	31/08/2025	Complete	The guide has been reviewed, updated and the version control reflects this.
4	The suite of forms for Deferred Payments should be reviewed and updated to ensure that they complement the current process and	Significant	Kim Russon, Team Leader	30/11/2025	Complete	The forms have been reviewed, updated and version control applied

	timescales/methods for approving the application and funding.					to reflect this. A deferred payment agreement working group has been established and is reviewing the entire deferred payment agreement process – if changes are required to forms/timescales following this review, these will be implemented immediately.
5	The process should be updated to ensure that there is either a sign off of an individual document following Panel, or retention of an authorised list from Panel.	Requires Attention	Kim Russon, Team Leader	30/09/2025	Complete	It is already part of the process that form DPA2, Appendix 1 is signed off for deferred payment application at panel and retained in the service user's deferred payment agreement folder in SharePoint. (DPA2 App1 records the fee structure for the deferred payment agreement)
6	There should be either an official valuation, or a copy of a valuation from a reputable website or a surveyor retained on file, so as to justify the property valuations that are being relied upon.	Significant	Kim Russon, Team Leader	30/11/2025	Complete	Where an official valuation has not been provided, the Financial Assessment Officer will obtain a valuation from a reputable website such as Zoopla, On the Market or Rightmove

						and record this on a valuation sheet which they then sign and retain in the service user's folder in SharePoint.
7	Case P342826 should be reviewed by the Financial Assessment Team to ensure that the charge has been registered against the property. If it has already been done, there should be a copy on the applicant's file.	Requires Attention	Kim Russon, Team Leader	30/04/2025	Completed	The charge was placed on the property in January 2021. A copy of the official register is now saved to file.
8	An update should be made to ContrOCC to allow for interest to be added to post Care Act cases.	Significant	Kim Russon, Team Leader	31/03/2026	Completed	Testing of the functionality of ContrOCC to charge interest on deferred payment agreements has been signed off in the test site and is now live since the 7/11/25 with all payments to be updated by the 30/11/25
9	Insurances should be reviewed and brought up to date for all current deferred payment agreements. In addition, the letter issued by the Financial Assessment Team to request an up to date insurance certificate should state that insurance needs to be for an empty property if indeed this is the case.	Significant	Kim Russon, Team Leader	30/11/2025	Complete	Insurance documents have been brought up to date for all deferred payment agreement service users. The letter issued by the Financial Assessment Team has been updated to state that insurance for an empty property is required, where applicable. Processes have been implemented

						to ensure Financial Assessment Officers are reminded annually to request up to date insurance policy documents.
10	A copy of the six-monthly statements sent out from ContrOCC should be retained on SharePoint for reference purposes.	Requires Attention	Kim Russon, Team Leader	31/03/2026	Complete	Statements will be issued following the annual uplift of care home fees and six months thereafter and will be saved to SharePoint
11	The Financial Assessments Team should raise an invoice on ERP in respect of the four deferred payment accounts where the service user has died and their property is vacant. This should be issued to the executor/representative, along with a covering letter stating that further interest will be due covering the period between the date of the invoice and the payment date. The Financial Assessments Team should consult with the ContrOCC Support Team regarding the method by which the remaining interest will be calculated accrued within ContrOCC until the time that the deferred charges are paid.	Significant	Kim Russon, Team Leader	31/07/2025	Completed	Invoices have been raised in ERP for the relevant service users and letters issued to the executors of the estate. Once interest has been set up in the live system, ContrOCC will have the functionality to generate interest charges whilst we await payment.
12	The deferred payments where there is a tenant in the deceased service user's property should be referred to Legal Services for further action, to ensure that paragraph 10 of the Deferred Payment Agreement is enforced. An invoice should then be raised on ERP by the Financial	Significant	Kim Russon, Team Leader	30/04/2025	Completed	Properties can be rented under the Deferred Payment Scheme as long as this has been agreed by Shropshire Council. An

	Assessments Team, to be accompanied by a letter regarding the accruing interest.					invoice for the deceased service user's deferred balance was raised in April 2025 and payment has been received to clear the debt.
13	The Team Leader, Financial Assessments Team should review the deferred charges totals against the equity amounts twice a year to ensure that the deferred total has not been left to exceed the equity value.	Requires Attention	Kim Russon, Team Leader	30/06/2025	Completed	The Team Leader has introduced a monthly monitoring process which looks at the accruing balances and their progress toward the equity limit.
14	The Team Leader, Financial Assessments Team should liaise with the Land Charges Team to request that her team are informed of any changes in debt secured against a property that has a charge in lieu of care contributions.	Significant	Kim Russon, Team Leader	31/08/2025	Complete	The Team Leader has liaised with legal services regarding this recommendation and has been advised that when our charge is registered it takes priority to everything registered after it and we register notice that the amount of our debt is not fixed so any mortgage etc taken out after our charge would not be paid out until our full debt was paid. They are investigating how any changes made to the register by Land Registry can be monitored.

15	Where voluntary credits are paid by a service user's representative, an alternative statement should be produced manually by the Financial Assessment Officer to account for the additional payment instead of the standard six monthly statement and a separate letter, thus only issuing one accurate document as to the current balances. This should be reviewed for accuracy by the Senior Assessment Officer, with a copy of the alternative statement held on SharePoint along with evidence of the checks carried out.	Requires Attention	Kim Russon, Team Leader	31/07/2025	Completed	A manual statement has been created to be used where a service user or their financial representative is making additional payments during the lifetime of the deferred payment to reduce the final debt when it ends. The statement is signed by either the Team Leader or the Senior Assessment Officer, before being issued.
16	Management checks should be evidenced on all redemption calculation spreadsheets following the changes made to the spreadsheet to accommodate this.	Requires Attention	Kim Russon, Team Leader	30/06/2025	Completed	The redemption calculation has a section to be completed by the Team Leader or Senior Assessment Officer to confirm they have checked the calculation. The process has also been updated to reflect this.
17	The Finance Team should be reminded that they should inform the Financial Assessments Team promptly of deferred payment redemptions, so that the Financial Assessments Team can raise an invoice on ERP to offset the payment. The Finance Team should then journal the payment to the correct cost code to offset the debtor account.	Requires Attention	Kim Russon, Team Leader	30/06/2025	Completed	The finance team have been reminded to inform Financial Assessment Team of any income received to clear deferred balances. The Team Leader has also incorporated a check for any income in her

						monthly monitory of deferred payments.
18	The Team Leader, Financial Assessment Team should liaise with both the Senior Debt Officer and the Finance Business Partner prior to year end to ensure that all income has been correctly allocated to the social care budgets and the individual service users on ERP, the debtor accounts correctly reflect income due in respect of both current and ended deferred payments, and that interest is also calculated from ContrOCC records for ended deferred payments for which payment is due, so that a figure can be included in the accounts for this. A record should be maintained of checks carried out and final figures agreed.	Significant	Kim Russon, Team Leader	30/06/2025	Completed	The monthly monitoring conducted by the Team Leader captures the deferred balances accrued within ContrOCC and additional payments made by service users or their financial representatives. The monitoring report has been shared with the Senior Debt Officer and the Finance Business Partner so that they have accurate figures.
19	The duplicate outlook account relating to the previous role at the Council should be closed. ICT should be consulted to ensure that this does not impact her training refresher course deadlines on her current user account	Requires Attention	Kim Russon, Team Leader	31/05/2025	Completed	The outlook account had been closed by IT services whilst the audit was being conducted.