

By: Cabinet Member for Finance – John Simmonds
Corporate Director of Finance – Andy Wood

To: Governance & Audit Committee – 25 January 2018

Subject: Debt Management

Summary: To report on the Council's debt position.

FOR ASSURANCE

1 Introduction

- 1.1 The purpose of this report is to provide the Governance and Audit Committee with assurance on the Council's outstanding debt position.
- 1.2 This report concentrates mainly on debt over 6 months old.

2 Summary

- 2.1 The overall outstanding sundry debt as at 1 December 2017 was £19,306,877.26, and the overall social care debt as at Client Billing run on 5 December 2017 was £19,235,581.69.
- 2.2 The debt relates to invoices raised via Accounts Receivable which is referred to as Sundry Debt and invoices raised via Client Billing which is purely related to non- payment of Social Care. The total Sundry debt as at 1 December 2017 is split as follows in Table 1:

Table 1 – Total Sundry Debt as at 1 December 2017

	A	B	C	D	
	Not Yet Due	AR Overdue 0-60 Amount	AR Overdue 61-181 Amount	AR Overdue 182+ Amount	Total AR Outstanding Amount
Sundry Debt	£7,286,379.11	£6,498,808.44	£1,657,696.02	£3,863,993.69	£19,306,877.26

- 2.3 The total Social Care Client Debt as at 05 December 2017, being the date of the most recent Client Billing run, is split as follows in Table 2:

Table 2 – Total Social Care Debt as at 5 December 2017

	A	B	C	D	E	
	0-28 Days (Not Yet Due)	29-56 Days	57-182 Days	183-365 Days	365+ Days	Grand Total
Social Care Debt	£5,014,852.83	£1,105,727.54	£3,083,011.71	£2,242,863.84	£7,789,125.77	£19,235,581.69

2.4 There are two performance indicators that the Debt Recovery Team aims to achieve. The percentages are based on the total outstanding unsecured debt:

- ***Total outstanding debt over 6 months old – less than 55%***
- ***Total outstanding debt over 6 months old which is secured – greater than 45%***

2.5 As at 1 December 2017 the KPI position was as follows:

Table 3 – Outstanding debt over 6 months using Tables 1 and 2

% of outstanding debt over 6 months	53.0%
Over 6 months (£k) (Table 1, Col D+ Table 2 Col D+E)	12,625
Total debt (£k) (Table 1 + Table 2 excl. Col A in both tables)	23,842

Table 4 – Outstanding debt over 6 months which is secured

% of outstanding debt over 6 months which is secured	44.2%
Over 6 months which is secured (£k)	5,586
Total debt over 6 months (£k)	12,625

The reasons for the second KPI not being met are as follows:

- One unsecured invoice for the sum of £650,000 is in dispute; the relevant Director and Invicta Law are in liaison with the debtor.

3 Background on Sundry Debt

3.1 As and when a Budget Holder requires an invoice to be raised to collect income external to the authority they complete the paperwork in order for an invoice to be raised via the Accounts Receivable system. It is the Budget Holder's responsibility to ensure that they have the necessary paperwork evidencing that the invoice will be paid.

4 Sundry Debt

4.1 Table 5 as follows is an analysis of the summary position of Sundry debt by Directorate as at 1 December 2017. The penultimate column shows the value of debt older than six months (182 days+):

Table 5 - Sundry Debt by Directorate as at 1 December 2017

Directorate	Not Yet Due (up to 30 days)	AR Overdue 0- 60 Amount	AR Overdue 61-181 Amount	AR Overdue 182+ Amount	Total AR Outstanding Amount
Adult Social Care & Health	1,162,100.14	1,682,766.77	369,324.92	1,168,177.46	4,382,369.29
Children Younger People and Education	908,182.63	2,339,957.72	64,689.62	29,881.02	3,342,710.99
Growth, Environment & Transport	3,356,909.32	1,009,021.50	694,438.22	1,458,225.27	6,518,594.31
Strategic & Corporate	725,866.21	994,433.70	288,536.40	1,136,780.82	3,145,617.13
EDUKENT	515,124.32	115,878.05	9,936.24	676.17	641,614.78
GEN2 Property	0.00	1,200.00	0.00	0.00	1,200.00
Penalty Notices	29,400.00	47,280.00	58,200.00	9,120.00	144,000.00
Property Rents	588,796.49	308,270.70	172,570.62	61,132.95	1,130,770.76
Grand Total	7,286,379.11	6,498,808.44	1,657,696.02	3,863,993.69	19,306,877.26

4.2 Table 6 shows an analysis of the summary position of Sundry debt by invoice tag status that is older than six months:

Table 6 – Analysis of Debt (Over Six Months Old) by Invoice Tag Status

Invoice Tag Status	Total Amount	Count of Invoices
AR SECURED DEBT	£777,850.92	12
EDUKENT	£676.17	2
GT DIRECTORATE INSURANCE	£90,969.83	11
INSTALMENTS	£70,367.89	55
LIQUIDATION/INSOLVENCY/RECEIVERSHIP	£319,872.67	12
PARKED	£12,369.56	10
PENALTY NOTICES - SCHOOLS	£2,280	19
REFERRED FOR WRITE OFF	£107,926.73	83
REFERRED TO DIRECTORATE	£986,859.96	160
REFERRED TO LEGAL	£199,245.64	10
UNSECURED	£1,295,574.32	1,132
Grand Total	£3,863,994.00	1,506

4.3 160 invoices with a debt value of £986,859.96 are tagged “Referred to Directorate”. This means that the Debt Recovery team are waiting for information or a response from the Directorate in order to be able to further progress the debt.

5 Sundry Health Debt

5.1 The Sundry Health Debt as at 1 December 2017 amounts to £4.0 million comprising of 304 invoices.

5.2 Table 7 provides a list of those debts with our partners in Health which exceed £100k;

Table 7 – Analysis of Health Debt as at 1 December 2017

Customer Name	Not Yet Due	Overdue 0-60 Amount	Overdue 61-181 Amount	Overdue 182+ Amount	Total Outstanding Amount
NHS ASHFORD CCG	100,120.27	731,660.54	0.00	275,021.41	1,106,802.22
NHS CANTERBURY & COASTAL CCG	80,279.22	115,730.57	70,434.92	23,463.00	289,907.71
NHS DARTFORD, GRAVESHAM, AND SWANLEY CCG	59,905.04	66,034.42	62,934.18	119,848.64	308,722.28
NHS MEDWAY CLINICAL COMMISSIONING GROUP	0.00	0.00	0.00	133,246.90	133,246.90
NHS SOUTH KENT COASTAL CCG	74,325.37	3,375.96	10,921.80	73,187.91	161,811.04
NHS SWALE CCG	41,664.90	77,653.72	57,744.62	6,951.85	184,015.09
NHS THANET CCG	79,464.01	24,698.21	112,820.58	61,686.31	278,669.11
NHS THANET TRADESHIFT CCG	2,053.44	329,282.72	0.00	231,424.78	562,760.94
NHS WEST KENT CCG	195,060.11	15,661.60	186,767.05	0.00	397,488.76
SUSSEX PARTNERSHIP NHS FOUNDATION TRUST	105,720.25	102,101.00	102,201.00	0.00	310,022.25
	738,592.61	1,466,198.74	603,824.15	924,830.80	3,733,446.30

6 Sundry Write Offs

6.1 Table 8 details the sum written off year on year:

Table 8 - Sundry Write Off Analysis by Year

Sundry Write Offs	
Year	Amount
2016 – 2017	£62,763.57
2015 – 2016	£55,211.69
2014 – 2015	£79,897.67
2013 – 2014	£302,928.97
2012 – 2013	£178,147.67
2011 – 2012	£129,753.76

7 KCC's Process for Charging for Adult Social Care

- 7.1 Each client is recorded on the SWIFT social care system with details of their needs assessment and the package of care they are in receipt of. Upon completion of the needs assessment, a financial assessment is then conducted to determine what they are assessed to pay based on their 'means'. It is at that point that charging will then commence.

8 Analysis of Social Care Debt as at December 2017

- 8.1 Social care debt is reported at the end of each four weekly billing period, rather than monthly. The figures in this report relate to the billing run date on 5 December 2017. It should also be noted that the age of the debt is based on the time elapsed from the invoice date rather than the due date, as with Sundry Debt. Therefore, the total debt as at 5 December 2017 stands at £19.2 million across 12,205 debtor accounts. This is broken down as follows:

	£'000s
• Total debt	19,236
• Total secured debt	6,282
• Not yet due unsecured (i.e. current debt)	4,733
• Unsecured and overdue	8,221

- 8.2 The £19,236k can be broken down by the type of care as follows:

	£'000s
• Total debt	19,236
• Residential Debt	15,607
• Non-Residential Debt	3,629

- 8.3 The following tables comment on unsecured overdue debt values and movements since March 2015. Unsecured and overdue debt is of the greatest risk to the council. The unsecured overdue debt over six months' old is also commented upon.

- 8.4 Table 9 shows the value of unsecured debt, in terms of overdue, not yet due, and total debt. It also shows the value of unsecured debt that is over six months' old at each point in time:

Table 9 – Unsecured and Aged Unsecured Debt Values since March 2015

UNSECURED DEBT BREAKDOWN				
	Mar-15	Mar-16	Mar-17	Dec-17
Invoice Run Date	30/03/2015	29/03/2016	28/03/2016	05/12/2017
Overdue	£6,887,420	£6,891,251	£7,499,276	£8,221,411
Not Yet Due	£4,145,752	£4,280,119	£4,200,037	£4,732,643
Total Unsecured Debt	£11,033,172	£11,171,370	£11,699,313	£12,954,054
Over Six Months Element Only	£4,232,818	£4,275,692	£5,030,917	£5,266,977

9 Unsecured Debt Over 6 months Old

- Restriction against the property £41k
- Unsecured Debt - Deceased/Service Terminated: £1,423k
- Unsecured Debt - Ongoing: £3,802k
- Total Unsecured over 6 months' old: £5,266k

9.1 There are 1,946 debtors with some/all of their debt over six months old, making up the total £5,266k unsecured over six months' debts.

9.2 The introduction of the Care Act resulted in the removal of section 22 under HASSASSA which legislated that a legal charge can be applied to any client who has debt that relates to residential care. The Care Act has resulted in all local authorities having no powers to automatically secure a charge on a property unless a deferred payment agreement has been applied. This is why the authority is seeing a substantial shift from secured to unsecured debt.

9.3 As at 1 December 2017, £234,919.16 in Social Care write offs had been processed in ORACLE since 1 April 2017. Write offs processed in previous years are as follows:

Table 10 - Social Care Write Off Analysis by Year

Social Care Write Offs	
Year	Amount
2016 - 2017	£388,328.70
2015 - 2016	£686,715.80
2014 - 2015	£472,066.50
2013 - 2014	£400,685.90
2012 - 2013	£188,124.22
2011 - 2012	£468,094.95

10 Debt Recovery Action

10.1 As mentioned above, all of the 1,946 cases within this report are in the process of debt recovery. A spreadsheet detailing each of these cases and their current status is available upon request.

10.2 Common themes for debt accruing are as follows:

- The debt is legally that of the client but a third party is managing their financial affairs.
- The Authority has a duty of care. Consequently, the service is not able to be removed because of non- payment of the client contribution.
- Minimal support received from the Department for Work and Pensions in redirecting the element of benefits that are not being used to pay for care charges to the Local Authority.

- 10.3 The Debt Recovery Teams have introduced a number of new initiatives which are aimed at improving the service delivered and a Service Improvement Plan has been introduced covering both types of debt. The Debt Recovery Teams produce regular detailed reports covering both Sundry and Client Billing, which are available on request.

11 Recommendation

- 11.1 Members are asked to note the content of this report for assurance.

Andrea Hanson

Client Services Officer

Tel no: 03000 410784

Email: andrea.hanson@kent.gov.uk