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To: Adult Social Services Policy Overview & Scrutiny Committee -  
30 March 2010

Subject: **KASS DEBT POSITION FEBRUARY 2010**

Classification: Unrestricted

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Summary: A report on the current position relating to KASS debt

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## **Introduction**

1. (1) At the Adult Social Services Policy Overview & Scrutiny Committee on 13 January 2010, it was agreed that a further report be presented at this Committee on KASS Debt.

## **Summary Position**

2. (1) The overall debt for KASS as at February is £21,031K, of which £5,977K is not yet due for payment, leaving the amount due for payment £15,054K.

(2) There are two types of invoicing arrangements used by KASS, both of which are through Oracle Accounts Receivables. This report will primarily deal with the client related debt, but will give a general overview of the other debt.

(3) The sundry debt due for payment is:

Health	£2,162K
Sundry	£ 359K
Total	£2,521K

*(It should be noted that the £1,021K owed by health is secured by a legal agreement.)*

(4) The client billing debt is currently £16,789K, of which £12,533K is due for payment.

(5) Attached at Appendix 1 is an analysis of how debt has changed over the main categories for each year since 2005/06.

## Client Charging

3. (1) Clients are financially assessed to determine their contribution toward either their residential or domiciliary care costs.

(2) Residential Charging - this charging is distinct from non-residential (domiciliary) charging in that councils have a duty to charge for services under section 22 of the National Assistance Act 1948. Councils have no discretion in how they charge individuals, and all councils are required to do so.

(3) Non-Residential Charging – Section 17 of the Health and Social Security and Social Services Adjudication Act 1983 gives councils the power to charge a person for non-residential services no more than it appears reasonable for them to pay. This means that each council has discretion in how they charge individuals for certain services and how much an individual has to contribute to the costs. In Kent we only charge for domiciliary type care.

(4) In 2008-09 the total amount of income charged to clients was as follows:

Residential	£42,581K
Domiciliary	£ 9,449K
Total	£50,030K

## Analysis of Client Related Debt

4. (1) The £16,789K client related debt, the debt can be broken down as follows:

Residential	£13,680K
Domiciliary	£ 2,253K
Health Contributions	<u>£ 856K</u>
Total	<u>£16,789K</u>

(2) Of the £16,789K only £12,533K is actually due for payment, invoices had only just been dispatched for the remaining £4,256K. Clients and health have 28 days to pay their invoices.

(3) The £12,533K can be broken down between secured and unsecured debt as follows:

• Unsecured – ongoing clients	£5,658K
• Unsecured – terminated/ deceased clients	<u>£ 1,153K</u>
Total Unsecured	<u>£6,811K</u>
• Secured with legal charges	£4,906K
• Health contributions	£ 816K
Overall Total of due debt	<u>£12,533K</u>

## Aged Analysis of Unsecured Debt

5. (1)

	<b>Under 6 months</b>	<b>Over 6 months</b>	<b>Over 1 year</b>	<b>Total</b>
<b>Unsecured ongoing client debt</b>	£3,503K	£918K	£1,237K	<b>£5,658K</b>
<b>Unsecured deceased/terminated Client debt</b>	£243K	£242K	£668K	<b>£1,153K</b>
<b>Total unsecured client debt</b>	<b>£3,746K</b>	<b>£1,160K</b>	<b>£1,905K</b>	<b>£6,811K</b>

## Numbers of Unsecured Debts

6. (1)

	<b>Numbers</b>
<b>Unsecured – ongoing clients with debts</b>	4,218
<b>Unsecured deceased/terminated clients with debts</b>	518
<b>Total Unsecured Debts</b>	4,736

## Secured Debt

7. (1) During 2009 we have carried out a full review of all of the debts that we have secured by legal charges on clients houses. This review has ensured that the estimated valuation of the properties are not less than the value of the deferred debts, and if so 100% provision has been allowed for.

## Bad Debt Provision

8. (1) The total bad debt provision that exists for client related debt is £3,599K. This is calculated by looking at the value of all of the debts under various debt categories of those secured and unsecured. It also takes into account the age of the debt.

(2) Generally the percentages for the main categories used are as follows:

Unsecured - ongoing (under 6 months) - 5%  
Unsecured - ongoing (over 6 months) - 60%  
Unsecured - terminated (under 6 months) - 33%  
Unsecured – terminated (over 6 months) - 75%

(3) The general provision is £1,953K. This covers all debts, secured, unsecured and health. This provision is re-calculated on a monthly basis, and any required changes are forecast within the revenue monitoring.

(4) In addition to the general provision that is calculated as described above we have allowed for an additional £1,646K of specific provisions. These relate to individual named clients for which we believe there is a high risk of the debt not being paid. This is reviewed during the course of the year to see if any payments have been made.

## **Write Off's**

9. (1) In 2008-09 £362K of client related debt was written off. The trend has been similar to previous years. For 2009-10 to February £375K has been formally written off.

## **Reasons for Debt**

10. (1) Many of the clients who we are charging do not actually manage their own financial affairs, especially those in residential and nursing care. It is likely that a family member is managing their affairs on their behalf. However the debt must remain the responsibility of the client, and we can take not specific debt recovery action against the family member, only the client. In many debt cases, the client is not even aware that their relative is not paying the monies due. This makes debt recovery against vulnerable people very difficult.

(2) When we are made aware that others may be misappropriating a client's finances, we can approach the Pension Service and ask that KCC becomes appointee for the client's benefit. This can be a complicated and lengthy process, and depends entirely on whether the client has mental capacity, and if so whether they agree to us becoming responsible for their finances. In cases such as this it is likely that any debt that has accrued before we take on appointeeship, will never be paid, and will probably end up being written off.

## **Debt Recovery Structure**

11. (1) From October 2009 we have restructured and the debt recovery staff are now within KASS, they were previously within CED. As part of the restructure we have placed a debt recovery officer within each of the new localities within the KASS operational structure. They are however managed by the Area Finance Managers.

(2) In total we have 6 Debt Recovery Officers, and 2 Senior Debt Recovery Officers. The posts have now all been recruited to.

(3) The new posts will be situated alongside the Finance & Benefit Assessment Officers. We have changed the emphasis of their roles to ensure that they follow up all financial assessments they undertake to ensure that the debt does not accrue at the outset, as we believe that a high proportion of the debt we end up writing off is due to it growing at an early stage. It will only be after their input that the debt is passed to the Debt Recovery Officers.

(4) We believe that this approach will reduce new debt accruing, however as can be seen from the figures above, we have a significant amount of debt that is over a year old, which needs to be investigated. Although a significant amount of this is covered by the bad debt provision, we feel that some of these should continue to be pursued if necessary through Legal Services.

(5) We have agreed to continue to employ 2 additional temporary staff members till September 2010 to focus purely on reducing the level of aged debt, so that our newly appointed debt recovery staff are able to focus more on new debts and the prevention strategy.

## **Recommendation**

12. (1) Members are asked to **NOTE** and **COMMENT** on the content of the report.

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