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To: Adult Social Services Policy Overview & Scrutiny Committee –
21 September 2010

Subject: **KASS DEBT POSITION JULY 2010**

Classification: Unrestricted

Summary: An update on the debt position in Kent Adult Social Services (KASS)

Introduction

1. (1) It was previously agreed that a regular report be presented to update this Committee on the latest debt position for KASS.

Summary Position

2. (1) The overall debt for KASS as at July is £23,534k, of which £6,845k is not yet due for payment, leaving an amount due for payment of £16,689k.

(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	£3,971k
Sundry	£ 314k
Total	£4,285k

(It should be noted that of the £3,971k owed by Health, £2,435k is secured through legal agreements)

(4) The client billing debt is currently £16,866k, of which £12,404k 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 2009-10 the total amount of income charged to clients was as follows:

Residential	£45,859k
Domiciliary	£ 9,889k
Total	£55,748k

Analysis of Client Related Debt

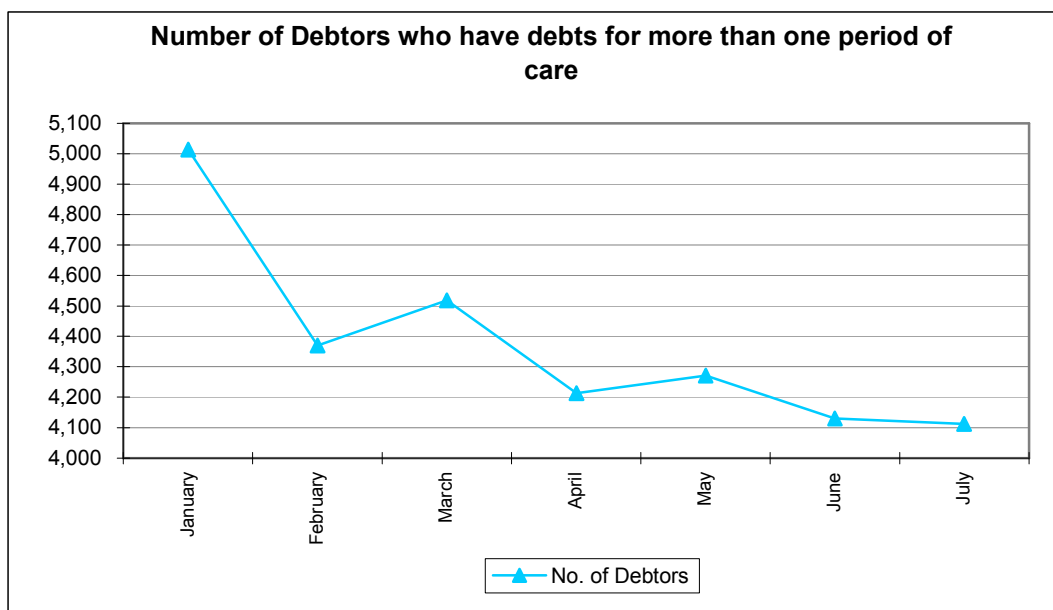
4. (1) The £16,866k client related debt is made up of 12,580 individual debtors, with an average debt of £1,341 each, and can be broken down as follows:

Residential	£14,320k
Domiciliary	£ 2,379k
Health Contributions	<u>£ 167k</u>
Total	<u>£16,866k</u>

(2) Of the 12,580 debtors, 8,468 (67%) only have a current debt which is not yet due, i.e. all previous invoices have been paid and the only amount to be paid relates to the most recent period of care. This therefore means that 4,112 (33%) have debt for prior periods of care. One of our performance measures is to reduce the 4,112 which will hopefully mean that our preventative strategy is achieving its aim. The following shows how this figure has moved since January 2010:

Month	No. of Debtors	Change	Change since January
January	5,014	-	
February	4,369	-645	-645
March	4,519	+150	-495
April	4,213	-306	-801
May	4,271	+58	-743
June	4,130	-141	-884
July	4,112	-18	-902

This information is presented graphically as follows:



(3) Of the £16,866k only £12,404k is actually due for payment, invoices having only just been dispatched for the remaining £4,462k. Clients and health have 28 days to pay their invoices.

(4) The £12,404k can be broken down between secured and unsecured debt as follows:

- Unsecured – ongoing clients £5,533k
- Unsecured – terminated/ deceased clients £ 969k
- Total Unsecured £6,502k

- Secured with legal charges £5,752k
- Health contributions £ 150k

- Overall Total of due debt £12,404k

Aged Analysis of Unsecured Due Debt

5. (1) The following table shows an analysis of Unsecured Debt that is due for payment comprising both Ongoing and Terminated/Deceased Debt.

	Under 6 months	Over 6 months	Over 1 year	Total
Unsecured ongoing client debt	£2,968k	£1,045k	£1,520k	£5,533k
Unsecured deceased/terminated Client debt	£191k	£271k	£507k	£969k
Total unsecured client debt	£3,159k	£1,316k	£2,027k	£6,502k

Analysis of Ongoing Unsecured Debt (including Not Yet Due)

6. (1) The following table shows an analysis of all Unsecured Debt for those debtors who have debts relating to prior periods of care as well as the invoice for the most recent period of care. The table includes due and not yet due amounts relating to Ongoing clients, broken down into bands by the value of debt, the number of debtors and the average debt per debtor.

Value of debt	No. of Debtors	Total of Debt (£000)	Average debt (£)
Above £25,000.01	29	1,125	38,807
£10,000.01 - £25,000.00	81	1,204	14,870
£5000.01 - £10,000.00	174	1,208	6,940
£1,000.01 - £5,000.00	1,049	2,320	2,212
£1000.00 and below	2,060	637	309
Total	3,393	6,494	1,914

Secured Debt

7. (1) During 2009 we carried out a full review of all debts 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.

(2) Of the 4,112 debtors with an outstanding debt 190 of these are secured by a legal charge. The total value of debt for this group is £5,992k which works out at an average of £29,961 each.

Unsecured Deceased/Terminated Debt

8. (1) Of the 4,112 debtors with an outstanding debt, 509 are either deceased or are now no longer receiving a chargeable service. The total value of debt for this group is £982k which works out at an average of £1,928 each.

Bad Debt Provision

9. (1) As at the end of 2009-10 the total bad debt provision for client related debt was £3,972k. 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, which was £2,006k at the end of 2009-10, 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 also allow for specific provisions, which at the end of 2009-10 amounted to £1,966k. 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

10. (1) In 2008-09 £362k of client related debt was written off and this amount was similar in value to that in previous years, however in 2009-10 a figure of £530k was formally written off.

Reasons for Debt

11. (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 no 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

12. (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 six Debt Recovery Officers, and two 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 two 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

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

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