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To: Governance & Audit Committee – 29 November 2011

Subject: DEBT MANAGEMENT

Classification: Unrestricted

Summary: To report on the Council's debt position

FOR ASSURANCE

INTRODUCTION

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

MANAGEMENT SUMMARY

3. The overall outstanding debt as at 30 September 2011 as shown on Oracle Accounts Receivable is £41,745,781.
This represents social care debt from SWIFT of £18,030,690 (29,963 invoices) and sundry debt of £23,715,091 (5,956 invoices). This includes FSC Health debt of £3,136,442.
4. The detail around the Social Care element of debt can be found in sections 12-19, with earlier sections referring to AR sundry debt only.
The Social Care debt reflects the four weekly client billing process run on the 20th June 2011, rather than the month end position.
5. Since October 2009 the responsibility for the collection and monitoring of KASS social care debt returned to the Directorate. This debt is covered in paragraph 15 onwards.
6. Please note that throughout this report Business and Strategic Support (BSS) will include the old Chief Executive debt; Education and Learning Skills (ELS) will include the old CFE debt; Enterprise & Environment (E&E) will include the old EHW debt; Customers & Communication (C&C) will include old Communities debt; and Families & Social Care (FSC) will include the old KASS debt. We are unable to retrospectively

amend Oracle to reflect the new directorate structure. The debt reporting is calculated from the invoice due date and not the invoice date.

7. The table below is an analysis of the summary position as at 30 September 2011.

Directorate	Outstanding Debt (excluding debts not yet due)	0 – 60 Days	Over 60 Days and Under 6 Months	Over 6 Months
BSS	976,205	350,586	299,903	325,716
ELS	4,593,037	1,209,432	2,227,434	1,156,171
E&E	1,288,975	599,795	448,145	241,035
C&C	366,384	166,461	105,757	94,166
FSC + KASS (Sundry)	4,526,639	1,131,883	798,539	2,596,217
Total	11,751,240	3,458,157	3,879,778	4,413,305

The above figures do not include those debts which are not yet due, which total £11,963,851.

PERFORMANCE

8. 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 sundry debt under 60 days old – greater than 65%
 - Total outstanding sundry debt over 6 months old – less than 20%

As at 30 September 2011 65% of the total sundry outstanding debt is under 60 days old and 19% is over 6 months old.

DEBT LEVELS OVER SIX MONTHS OF AGE

9. Below is an analysis of the categories of debt over 6 months old.

Directorate	Status of Debt	Amount Over 6 Months Old
BSS	Instalments	63,713
	Referred to legal services	3,021
	Referred to directorate for action	106,495
	Ongoing action	151,733
	Referred for write off	754
	Sub total	325,716

BSS

- The £152k marked as Ongoing action represents 93 invoices, the largest being an invoice to Capita Business Services for £73k raised in August 2011 which has since been paid.
- The £106k marked as referred to Directorate represents 10 invoices, the largest being a repayment of an empty property loan of £100k.

Directorate	Status of Debt	Amount Over 6 Months Old
ELS	Instalments	18,456
	Referred to legal services	25,121
	Referred for write off	113,432
	Referred to directorate for action	385,769
	Ongoing action	613,339
	Internal school charges	54
	Sub total	1,156,171

ELS

- The £386k marked as referred to Directorate for action represents 35 invoices. Of these there are 2 invoices totalling £365k invoiced to an East Kent Health Authority which has had a name change and are in the process of being cancelled and re-raised.

Directorate	Status of Debt	Amount Over 6 Months Old
E&E	Instalments	2,490
	Referred for write-off	2,205
	Ongoing action	156,700
	Referred to directorate for action	53,172
	Insurance	25,958
	Referred to legal services	510
	Sub total	241,035

E&E

- The £157k marked as Ongoing Action represents 107 invoices, the largest being £29k for a Section 28 charge.

Directorate	Status of Debt	Amount Over 6 Months Old
FSC (Sundry debt)	Instalments	24,610
	Instalments- Small Claims	5,020
	Referred to legal services	1,470,723
	Referred for write-off	9,068
	Ongoing action	107,185
	Health debt	909,959
	Referred to directorate for action	68,047
	Small Claims	1,605
	Sub total	2,596,217

FSC

- The £1,471K marked as Referred to Legal Services relates to 7 invoices. There is one invoice of £1,439,790 raised in September 2010 to a Primary Care Trust.
- The £910k of Health Debt relates to 28 invoices with an average value of £32.5k
- The £107k marked as Ongoing Action relates to 88 invoices.

Directorate	Status of Debt	Amount Over 6 Months Old
Communities	Instalments	5,376
	Referred for write-off	4,928
	Referred to directorate for action	5,203
	Ongoing action	73,006
	Referred to legal services	5,653
	Sub total	94,166

C&C

- The 73k marked Ongoing Action represents 64 invoices, the largest of which is £9.7k to Essex County Council raised by Kent Scientific Services

INSTALMENT PAYMENTS

10. The table below represents the amount and value of debt being paid by instalments.

Directorate	Number of Cases	Total Value £
BSS	12	73,280
ELS	35	33,788
C&C	14	8,764
E&E	8	25,519
FSC + KASS (sundry debt)	77	33,959
Total	146	175,310

11. The table below represents the sundry debt for Kent Adult Social Services and the former Social Services. Unfortunately, it is not possible to break the figures down by district; however the age analysis is detailed.

Area	0-60 Days	Over 60 Days and Under 6 Months	Over 6 months	Total
EK KASS	150	71,832	433,375	505,357
EK Social Services	0	0	11,796	11,796
HQ KASS	0	27,148	156,145	183,293
HQ Social Services	0	0	115	115
MK Social Services	0	0	1,564	1,564
WK KASS	0	258,708	1,938,667	2,197,375
Other FSC KASS/SS Debt	1,131,733	445,604	50,010	1,627,347
Total Debt	1,131,883	803,292	2,591,672	4,526,847

The 'Other FSC/KASS/SS Debt' figures represent charges raised through the Oracle system that do not denote a specific area. Debts within this category will include salary overpayments, Direct Payments and home support fund repayments.

TRENDS

12. Listed below is the outstanding debt over 6 months old as the percentage of the total debt as at 30 April for the last 5 years

30 April 2011	30 April 2010	30 April 2009	30 April 2008	30 April 2007
7.8%	6%	11%	12%	20%

13. The numbers and values of invoices raised for the last 4 years are:

	10-11	09-10	08-09	07-08
Number of invoices raised	29,336	30,369	34,097	34,270
Value of invoices raised	£176,597,554	£165,961,032	£183,804,045	£183,656,212

WRITE OFFS

14. The table below shows the sum written off per Directorate for the period April – September 2011:

Directorate	Total £
BSS	1,958
ELS	3,935
E&E	2,836
FSC (Sundry debt only)	23,305
C&C	10,751
Total	42,785

SOCIAL CARE DEBT

15. Client Charging

- (1) Clients are financially assessed to determine their contribution towards 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 currently only charge for domiciliary type care, however following the decision of 23rd September by the cabinet member for Adult Social Care & Public Health, Kent is due to start charging for day care & transport from April 2012.
- (4) In 2010-11 the total amount of income charged to clients through the client billing system was as follows:

Residential	£46,885k
Domiciliary	£10,731k
Total	£57,616k

Analysis of client related debt

16. (1) As at the 22 September the 2011-12 overall client related social care debt stood at £18,508k, the debt can be broken down as follows:

Residential	£16,139k
Domiciliary	£2,342k
Health Contributions	£27kk
Total	£18,508k

- (2) Of the £18,508k only £13,806k is actually due for payment, invoices had only just been dispatched for the remaining £4,702k.

- (3) The £13,806k can be broken down between secured and unsecured debt as follows:

• Unsecured – ongoing clients	£5,565k
• Unsecured – terminated/deceased clients	£1,028k
• Total Unsecured	£6,593k
• Secured with legal charges	£7,199k
• Health contributions	£14k
• Overall total of due debt	£13,806k

Aged Analysis of Unsecured Debt

17. The following table shows an analysis of unsecured debt that is due for payment:

	Under 6 months	Over 6 months	Over One Year	Total
Unsecured – ongoing client debt	£2,906k	£973k	£1,686k	£5,565k
Unsecured - Deceased/terminated client debt	£130k	£154k	£744k	£1,028k
Total unsecured client debt	£3,036k	£1,127k	£2,430k	£6,593k

Unsecured – Ongoing client debt over 6 months equates to 349 debtors

Unsecured – Deceased/Terminated Client Debt equates to 393 debts for those with debts just over 6 months.

Unsecured – Ongoing client debt both over/under 6 months only equates to 769 debtors.

Unsecured - Deceased/ Terminated Client Debt equates to 73 debtors for those with debts both under/over 6 months.

Numbers of Unsecured Debtors

18. The table below analyses the number of debtors with an unsecured debt, both due and not yet due.

	Numbers
Unsecured – ongoing debtors with debts	11,836
Unsecured deceased/terminated debtors with debts	581
Total Unsecured Debtors	12, 417

Bad Debt Provision – Client Related

19. (1) The total bad debt provision that exists for client related debt at the end of 2010-11 was £3,981k. 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 £1,960k. This covers all debts, secured, unsecured and Health. This provision is recalculated 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 £2,021k of specific provisions. This relates 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 Offs

20. (1) In 2010-11 £351k of client related debt was written off.

Reasons for Debt

21. (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 cannot take 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.

RECOMMENDATION

22. Members are asked to note the content of this report.

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