

By: Cabinet Member for Finance
Corporate Director of Finance & Procurement

To: Governance & Audit Committee – 26 July 2012

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 31 May 2012 as shown on Oracle Accounts Receivable is £39,903,580. This represents social care debt from SWIFT of £18,513,461 (32,553 invoices) and sundry debt of £21,390,119 (4,924 invoices) which includes FSC Health debt of £3,051,940.
4. The detail around the Social Care element of debt can be found in sections 14- 20, with earlier sections referring to AR sundry debt only. The Social Care debt reflects the four weekly client billing process run on the 29th May 2012. The outstanding debt was £18,554k.
5. 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 current directorate structure. The debt reporting is calculated from the invoice due date and not the invoice date.
6. The table below is an analysis of the summary position as at 31 May 2012.

Directorate	Outstanding Debt (excluding debts not yet due)	0 – 60 Days	Over 60 Days and Under 6 Months	Over 6 Months
BSS	931,022	595,908	132,155	202,959
ELS	1,155,335	311,992	353,436	489,907
E&E	1,766,175	746,294	712,751	307,130
C&C	371,327	257,959	64,681	48,687
FSC + KASS (Sundry)	4,446,605	2,475,768	750,662	1,220,175
Total	8,670,464	4,387,921	2,013,685	2,268,858

The above figures do not include those debts which are not yet due, which total £12,719,655.

PERFORMANCE

7. 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 75%
- Total outstanding sundry debt over 6 months old – less than 20%

As at 31 May 2012 80% of the total sundry outstanding debt is under 60 days old and 11% is over 6 months old.

DEBT LEVELS OVER SIX MONTHS OF AGE

8. Below is an analysis of the categories of debt over 6 months old by Directorate, followed by more detailed analysis.

Directorate	Status of Debt	Amount Over 6 Months Old
BSS	Instalments	25,773
	Referred to legal services	2,874
	Referred to directorate for action	126,520
	Ongoing action	39,424
	Referred for write off	8,368
	Sub total	202,959

9. BSS

- The £39k marked as Ongoing Action represents 52 invoices, the largest being an invoice to Tourism South East for £4k raised in August 2011 which has just been paid.
- The £126k marked as Referred to Directorate represents 35 invoices, the largest being a repayment of an empty property loan of £100k.

Directorate	Status of Debt	Amount Over 6 Months Old
ELS	Instalments	24,276
	Referred to legal services	60,903
	Referred for write off	108,769
	Referred to directorate for action	151,106
	Ongoing action	142,703
	Internal school charges	2,150
	Sub total	489,907

10. ELS

- The £151k marked as Referred to Directorate for action represents 29 invoices. Of these there are 2 invoices totalling £113k invoiced to Maidstone & Tunbridge Wells NHS Trust in respect of Kent Portage Services.
- The £109k marked as Referred for Write Off represents 9 invoices, the largest of which is £105k raised to West Kent PCT, again for Portage Services.
- The £143k marked as Ongoing Action represents 24 invoices, the largest of which is £11.8k raised in February 2011 to The Parents Consortium in respect of a contribution towards a training kitchen for the year 9/10.

Directorate	Status of Debt	Amount Over 6 Months Old
E&E	Instalments	5,875
	Referred for write-off	2,732
	Ongoing action	65,231
	Referred to directorate for action	148,749
	Insurance	56,198
	Referred to legal services	28,345
	Sub total	307,130

11. E&E

- The £149k marked as Referred to Directorate for Action represents 54 invoices, the largest being £45.5k for a Section 278 charge on the County Square site, Ashford.

Directorate	Status of Debt	Amount Over 6 Months Old
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FSC (Sundry debt)	Instalments	22,036
	Ongoing action	31,198
	Referred to legal services	44,094
	Referred for write-off	20,815
	Health debt	996,694
	Referred to directorate for action	99,695
	Instalment Small Claims	4,530
	Insolvency	362
	Paid to CS in error	235
	Small Claims	516
	Sub total	1,220,175

12. FSC

- The £100k marked as Referred to Directorate for Action relates to 22 invoices, with an average value of £4.5k. The largest value invoice is £9.9k for an overpaid kinship allowance raised in October 2012. Recently arrangements have been made with the debtor to repay by instalments.
- The £1 m of Health Debt relates to 27 invoices. There are 2 invoices over £100k in value. One is £400k raised in February 2011 to West Kent PCT in respect of the re-ablement fund agreement for the year 2010-11. The Director of Commissioning and Provision for FSC has previously advised that the invoice is on hold pending final discussions for the year's re-ablement monies, owing to the PCT having picked up some of KCC's costs. The other is £196k raised in March 2011 to Lambeth Primary Care Trust in respect of reimbursement for CHC funding for a residential placement for the period June 2010 – March 2011. The Director of Learning Disability and Mental Health Services is in ongoing discussion with Legal Services regarding this invoice.

Directorate	Status of Debt	Amount Over 6 Months Old
Communities	Instalments	1,973
	Referred for write-off	5,631
	Referred to directorate for action	9,783
	Ongoing action	25,820
	Referred to legal services	5,480
	Sub total	48,687

13. C&C

- The £26k marked Ongoing Action represents 25 invoices, the largest of which is £7.9k to The Performing Rights Society raised in September 2011 to re-coup an unused credit note. There is an ongoing discussion with the supplier to resolve this.

INSTALMENT PAYMENTS

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

Directorate	Number of Cases	Total Value £
BSS	14	37,141
ELS	35	37,028
C&C	12	4,611
E&E	12	29,063
FSC + KASS (sundry debt)	30	35,512
Total	103	143,355

15. 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	40	401	95,150	95,591
EK Social Services	0	0	10,684	10,684
HQ KASS	0	0	69,162	69,162
MK Social Services	0	0	1,092	1,092
WK KASS	0	0	730,041	730,041
Other FSC KASS/SS Debt	2,475,728	750,261	314,045	3,540,034
Total Debt	2,475,768	750,662	1,220,174	4,446,604

16. 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

17. 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 2012	30 April 2011	30 April 2010	30 April 2009	30 April 2008
12%	8%	6%	11%	12%

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

	11-12	10-11	09-10	08-09
Number of invoices raised	32,029	29,336	30,369	34,097
Value of invoices raised	£160,139,056	£176,597,554	£183,961,032	£183,804,045

WRITE OFFS

19. The table below shows the sum written off per Directorate for the year 2011- 2012

Directorate	Total £
BSS	13,707
ELS	4,100
E&E	6,069
FSC (Sundry debt only)	61,027
C&C	27,889
Total	112,792

SOCIAL CARE DEBT

20. Client Charging

- (i) Clients are financially assessed to determine their contribution towards either their residential or non residential care costs.
- (ii) Residential Charging - This charging is distinct from non-residential 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.
- (iii) 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 by the cabinet member for Adult Social Care & Public Health, Kent is due to start charging for day care from 23rd July 2012.

- (iv) In 2011-12 the total amount of income charged to clients through the client billing system was as follows:

Residential	£48,803k
Non Residential	£11,174k
Total	£59,977k

ANALYSIS OF CLIENT RELATED DEBT

21. As at the 29 May 2012 the overall client related social care debt stood at £18,554k, the debt can be broken down as follows:

Residential	£16,161k
Domiciliary	£2,393k
Total	£18,554k

22. Of the £18,554k only £13,683k is actually due for payment, invoices had only just been dispatched for the remaining £4,871k.

23. The £13,683k can be broken down between secured and unsecured debt as follows:

• Unsecured – ongoing clients	£4,898k
• Unsecured – terminated/deceased clients	£1,165k
• Total Unsecured	£6,063k
• Secured with legal charges	£7,615k
• Health contributions	£5k
• Overall total of due debt	£13,683k

AGED ANALYSIS OF CLIENT RELATED DEBT

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

	Under 6 months £k	6 months to a year £k	Over One Year £k	Total £k
Unsecured – ongoing client debt	2,290	789	1,819	4,898
Unsecured - Deceased/terminated client debt	192	144	829	1,165

Total unsecured client debt	2,482	933	2,648	6,063

NUMBERS OF UNSECURED DEBTORS

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

	Numbers
Unsecured – ongoing debtors with debts	11,413
Unsecured deceased/terminated debtors with debts	716
Total Unsecured Debtors	12,129

BAD DEBT PROVISION – CLIENT RELATED

26. The total bad debt provision that exists for client related debt at the end of 2011-12 was £3,798k. This is calculated by looking at the value of all of the debts under various debt categories, covering secured, unsecured and Health. It also takes into account the age of the debt.
27. The total provision includes £2,385k 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.
28. The general provision is £1,413k. 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. The percentages for the main categories used in the general provision on the remaining outstanding invoices are shown in the following table.

Debt Provision %	Under 6 months %	Over 6 months %
DEFERRED PAYMENT - SECURED	0%	2%
DEFERRED PAYMENT - UNSECURED	5%	60%
ESTATE	10%	20%
HEALTH - HOLDING	10%	20%
HEALTH DEBT – WEST KENT	10%	20%
INSTALMENTS	5%	40%
LEGAL CHARGE SEC 22	0%	2%

PARKED TERMINATED	100%	100%
REFERRED FOR WRITE OFF	100%	100%
REFERRED TO LEGAL	5%	60%
SOLICITORS UNDERTAKING	0%	5%
TERMINATED SERVICE	33%	75%
UNSECURED	5%	60%
UNSECURED - FORWARDED FOR LEGAL CHARGE	0%	10%

WRITE OFFS

29. In 2011-12 £411k of client related debt was written off.

RECOMMENDATION

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

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