

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

To: Governance & Audit Committee – 19 December 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 October 2012 as shown on Oracle Accounts Receivable Business Intelligence Suite is £39,540,534.41. This represents social care debt from SWIFT of £17,960,662.38 (26,967 invoices) and sundry debt of £21,579,872.03 (3,998 invoices). Any debts paid by instalments but originating from a single invoice are counted only once. The sundry debt figures includes tagged FSC Health debt of £2,026,242.59, although please see Paragraph 15 for further details of this.
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 16th October 2012. The outstanding debt as at 16th October 2012 was £18,865,253.94.
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

for Sundry Debt, but is based on invoice date for Social Care debt owing to the ongoing nature of the billing through which invoices are issued every four weeks.

6. The table below is an analysis of the summary position as at 31 October 2012.

Invoice Type Name	AR Overdue 0-60 Amount	AR Overdue 61-181 Amount	AR Overdue 182+ Amount	Total AR Outstanding Amount
BSS	£454,742.04	£475,032.31	£229,235.60	£4,512,733.10
C&C	£260,719.74	£217,300.24	£59,990.66	£5,289,972.94
E&E	£2,790,221.88	£293,981.63	£275,777.90	£4,030,143.05
EDUKENT	£175,292.97	£695,017.20	£19,209.67	£1,094,144.49
ELS	£59,763.11	£57,334.50	£589,378.00	£1,173,743.73
FSC	£435,432.34	£467,339.80	£1,671,548.54	£5,479,134.72
Grand Total	£4,176,172.08	£2,206,005.68	£2,845,140.37	£21,579,872.03

The above figures do not include those debts which are not yet due, which total £12,352,553.90.

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 October 2012 76.59% of the total sundry outstanding debt is under 60 days old and 13.18% 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.

9. BSS

DEBT CATEGORY	BSS
AR SECURED DEBT	£8,027.75
EDUKENT	£249.50
EXCHEQUER ONGOING ACTION	£55,393.95
INSTALMENT - SMALL CLAIMS	£51.60
INSTALMENTS	£3,290.99
LIQ'S/INSOLV'S/RECV	£4,200.00
REFERRED FOR WO	£6,334.02
REFERRED TO DIRECTORATE	£149,130.69
SMALL CLAIMS COURT	£2,557.10
Grand Total	£229,235.60

- The £55.4k marked as Ongoing Action represents 56 invoices, the largest being an invoice to for £15.3k raised to Medway Council. After ongoing efforts by the team this has just been paid.
- The £149.1k marked as Referred to Directorate represents 52 invoices, the largest being a repayment of an empty property loan of £100k. Discussions with Legal and the Regeneration Manager are ongoing in order to generate receipts against the debt and £50k is expected to be paid by the end of November, with the remaining amount paid in twelve months.

10. ELS

DEBT CATEGORY	ELS
EDUKENT	£179,872.45
EXCHEQUER ONGOING ACTION	£78,693.25
INSTALMENTS	£16,860.47
INTERNAL	£2,250.00
LIQ'S/INSOLV'S/RECV	£1,011.96
PAID TO CS IN ERROR	£54,411.79
REFERRED FOR WO	£114,203.00
REFERRED TO DIRECTORATE	£137,511.37
REFERRED TO LEGAL	£19,016.27
SMALL CLAIMS COURT	£4,007.11
UNTAGGED	£750.00
Grand Total	£608,587.67

- The £137.5k 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. These have been referred to the ELS Finance Business Partner

- The £114k marked as Referred for Write Off represents 9 invoices, the largest of which is £104k raised to West Kent PCT, again for Portage Services and referred to the ELS Finance Business Partner
- The £78.7k marked as Ongoing Action represents 42 invoices, although 23 of these are for under £100.00. The largest invoice is for £29.7k raised in March 2012 to The London Borough of Wandsworth for Recoupment of Independent School Fees. The Debt Recovery Team Leader is now chasing this debt with the debtor directly.
- EduKent debt – There are two particularly large debts. The first is for £88.6k; this is owed by Woodard Academies, and is being referred to the ELS Finance Business Partner for resolution. There is also a debt of £60k owed by Herne Bay High School which cannot be paid until they receive their money from Canterbury City Council.
- £0.8k currently does not have a tag status and this will be corrected next month

11. E&E

DEBT CATEGORY	E&E
EDUKENT	£4,473.05
EXCHEQUER ONGOING ACTION	£26,572.92
INSTALMENT - SMALL CLAIMS	£20.00
INSTALMENTS	£2,245.71
INSURANCE	£28,646.79
LIQ'S/INSOLV'S/RECV	£31,377.36
REFERRED FOR WO	£911.72
REFERRED TO DIRECTORATE	£169,675.26
REFERRED TO LEGAL	£11,855.09
Grand Total	£275,777.90

- The £169.7k marked as Referred to Directorate for Action represents 59 invoices, the largest being £25.1k to West Kent College for S278 Costs for carriageway widening and Pelican crossing costs, raised on 18 August 2011. The Debt team are in liaison with the Directorate as the debtor is requiring detailed breakdowns from them, and the Debt Recovery Team Leader recently became involved in this case.

12. FSC

DEBT CATEGORY	FSC
EDUKENT	£135.00
EXCHEQUER ONGOING ACTION	£48,270.01
HEALTH DEBT - EK	£195,518.58
HEALTH DEBT - HQ	£99,872.62
HEALTH DEBT - SECURED - WK	£55,741.48
HEALTH DEBT - WK	£1,043,333.13
INSTALMENT - SMALL CLAIMS	£2,601.97
INSTALMENTS	£32,430.35
LIQ'S/INSOLV'S/RECV	£362.00
REFERRED FOR WO	£44,767.01
REFERRED TO DIRECTORATE	£93,546.62
REFERRED TO LEGAL	£54,209.88
SMALL CLAIMS COURT	£516.16
UNTAGGED	£243.73
Grand Total	£1,671,548.54

- The £93.5K marked as Referred to Directorate for Action relates to 43 invoices, with an average value of £2.2k. The largest value invoice is £35.0k. Since the debt report was run, payment is now allocated against this invoice for all but the tax amount of £5.8k and discussion is ongoing to resolve this.
- The total of the four Debt Categories for Health Debt relates to 50 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.
- £0.2k currently does not have a tag status and this will be corrected next month

13. C&C

DEBT CATEGORY	C&C
AR SECURED DEBT	£4,111.25
AUTOMATIC WRITEBACK	£63.73
EDUKENT	£1,807.60
EXCHEQUER ONGOING ACTION	£9,365.84
INSTALMENTS	£1,550.43
PAID TO CS IN ERROR	£24.50
REFERRED FOR WO	£6,231.48
REFERRED TO DIRECTORATE	£31,441.54
REFERRED TO LEGAL	£4,451.38
SMALL CLAIMS COURT	£942.91
Grand Total	£59,990.66

- The £31.4k marked Referred to Directorate represents 12 invoices.

INSTALMENT PAYMENTS

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

Directorate	Number of Cases	Total Value £
BSS	17	£14,368.17
ELS	5	£3,362.87
C&C	10	£15,897.95
E&E	28	£46,624.82
FSC + KASS (Sundry)	28	£45,948.86
Total	88	£126,202.67

SUNDRY HEALTH DEBT

15. The Sundry Health debt is analysed every four weeks by the Social Care Debt Recovery staff. The Sundry Health Debt as at 16th October 2012 was identified as being £4,106,553.78, comprising of 106 invoices. As at 31st October 2012 the value of those invoices identified at the previous billing run had decreased to £2,0262,42.59, comprising 96 invoices, although this does not include new Sundry Health invoices raised since 16th October. The reduction is considerable because some particularly large and newer invoices had been paid, including two invoices raised on 19 September 2012 for £1,000,000.00 each.

TRENDS

16. 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%

17. 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

18. The table below shows the sum written off as at 31 October 2012. This data is based on the write offs input to the Receivables system in 2012/13 rather than the year they have been allocated to GL.

Sundry Actual	
Directorate	Total (£)
BSS	6,387.31
C&C	2,410.14
E&E	11,134.78
ELS	1,035.49
FSC	16,347.42
TOTAL	37,315.14

SOCIAL CARE DEBT

19. 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 has started 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

20. As at the billing run on 16th October 2012 the overall client related social care debt stood at £18,865k, the debt can be broken down as follows:

Residential	£16,366k
Domiciliary	£2,499k
Total	£18,865k

21. Of the £18,865k only £14,173k is actually due for payment, invoices had only just been dispatched for the remaining £4,692k.
22. The £14,173k can be broken down between secured and unsecured debt as follows:

Debt Category	Total (£)
Unsecured – Ongoing Clients	5,054.5k
Unsecured – Terminated/Deceased Clients	1,229.0k
Total Unsecured	6,283.5k
Secured with Legal Charges	7,893.4k
Health Contributions	-3.6k
Overall total of due debt	14,173.3k

AGED ANALYSIS OF CLIENT RELATED DEBT

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

	Under 6 months	6 months to a year	Over One Year	Total
	£k	£k	£k	£k
Unsecured - Ongoing	2,500.1k	965.1k	1,589.4k	5,054.5k
Unsecured - Deceased/terminated	155.3k	223.3k	850.3k	1,229.0k
Total Unsecured Client Debt	2,655.4k	1,188.4k	2,439.7k	6,283.5k

NUMBERS OF UNSECURED DEBTORS

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

	Numbers
Unsecured – Ongoing Debtors with Debts	11,707
Unsecured Deceased/Terminated Debtors with Debts	679
Total Unsecured Debtors	12,386

BAD DEBT PROVISION – CLIENT RELATED

25. 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.

26. 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.

27. 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

28. The sum written off as at 31 October 2012 for Social Care through Client Billing is £66,198.76. The data is based on write offs input to the Receivables system in 2012/13 rather than the year they have been allocated to GL.

RECOMMENDATION

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

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