

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

To: Governance & Audit Committee – 24 July 2013

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 2013 as shown on Oracle Accounts Receivable Business Intelligence Suite is £38,849,503.77. This represents social care debt from SWIFT of £18,793,191.95 (29,550 invoices) and sundry debt of £20,056,311.82 (3,226 invoices). Any debts paid by instalments but originating from a single invoice are counted only once. The sundry debt figures include Health debt of £5,109,371.87, 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 28 May 2013.
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 May 2013:

Directorate	Not Yet Due	AR Overdue 0-60 Amount	AR Overdue 61-181 Amount	AR Overdue 182+ Amount	Total AR Outstanding Amount	Total Overdue Debt
BSS	£318,378.91	£3,515,700.46	£65,978.48	£166,836.99	£4,066,894.84	£3,748,515.93
C&C	£243,450.49	£154,878.73	£36,761.39	£228,120.99	£663,211.60	£419,761.11
E&E	£903,170.56	£3,837,791.37	£44,668.96	£176,840.87	£4,962,471.76	£4,059,301.20
EDUKENT	£161,977.43	£128,180.24	£45,070.75	£8,520.82	£343,749.24	£181,771.81
ELS	£344,834.77	£245,838.41	£439,058.70	£236,516.54	£1,266,248.42	£921,413.65
FSC	£3,041,220.34	£4,357,887.27	£551,918.02	£802,710.33	£8,753,735.96	£5,712,515.62
Grand Total	£5,013,032.50	£12,240,276.48	£1,183,456.30	£1,619,546.54	£20,056,311.82	£15,043,279.32

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 2013, 86.02% of the total sundry outstanding debt was under 60 days old whilst 8.07% was over 6 months old. Both statistics are therefore significantly within target.

DEBT LEVELS OVER SIX MONTHS OF AGE

8. Over the page is an analysis of the categories of debt over 6 months old by Directorate, followed by more detailed analysis. Some invoices are currently marked as “untagged” – this is due to the fact that some invoices are chased directly by the Directorate responsible for them – and they are thus responsible for changing the tag status. The tag status “KCS” refers to those payments made to Kent County Supplies rather than Kent County Council in error. KCS are responsible for identifying these incorrect payments and transferring the monies to KCC.

9. BSS

DEBT CATEGORY	BSS
AR SECURED DEBT	£8,027.75
AUTOMATIC WRITEBACK	£351.61
EDUKENT	£0.00
A&I UNIT ONGOING ACTION	£7,002.07
INSTALMENT - SMALL CLAIMS	£0.00
INSTALMENTS	£6,815.26
LIQ'S/INSOLV'S/RECV	£4,200.00
PAID TO KCS IN ERROR	£397.72
REFERRED TO LEGAL	£1,012.65
REFERRED FOR WRITE OFF	£11,386.18
REFERRED TO DIRECTORATE	£122,978.63
SMALL CLAIMS COURT	£4,665.12
Grand Total	£166,836.99

- The £123k marked as Referred to Directorate represents 38 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 secure the debt.

10. ELS

DEBT CATEGORY	ELS
EDUKENT	£5,896.47
A&I UNIT ONGOING ACTION	£11,018.73
INSTALMENTS	£12,199.70
PAID TO KCS IN ERROR	£355.00
REFERRED FOR WRITE OFF	£2,234.65
REFERRED TO DIRECTORATE	£70,188.25
REFERRED TO LEGAL	£132,426.27
SMALL CLAIMS COURT	£2,097.47
UNTAGGED	£100.00
Grand Total	£236,516.54

- The £70.2k marked as Referred to Directorate for action represents 14 invoices.
- The £132k marked as Referred to Legal represents 5 invoices and seeking legal advice is part of the escalation process. The largest of which is £113k raised to Maidstone & Tunbridge Wells NHS Trust, for Portage Services and referred to the ELS Finance Business Partner.

11. E&E

DEBT CATEGORY	E&E
AUTOMATIC WRITEBACK	£1,502.40
EDUKENT	£100.00
A&I UNIT ONGOING ACTION	£20,364.59
INSTALMENTS	£451.21
INSURANCE	£37,577.85
LIQ'S/INSOLV'S/RECV	£1,227.69
REFERRED FOR WRITE OFF	£934.69
REFERRED TO DIRECTORATE	£66,365.53
REFERRED TO LEGAL	£12,114.59
UNTAGGED	£36,202.32
Grand Total	£176,840.87

- The £66.4k marked as Referred to Directorate for Action represents 22 invoices, the largest being £12.8k to Morrisons Supermarkets (Development), Bradford. The Debt team are in liaison with the Directorate who have recently provided the debtor with a copy invoice and requested payment.

12. FSC

DEBT CATEGORY	FSC
EDUKENT	£6,571.00
A&I UNIT ONGOING ACTION	£26,078.95
HEALTH DEBT - UNSECURED	£510,479.19
HEALTH DEBT - SECURED - WK	£44,912.40
INSTALMENT - SMALL CLAIMS	£1,997.54
INSTALMENTS	£34,064.43
LIQ'S/INSOLV'S/RECV	£293.27
REFERRED FOR WRITE OFF	£51,603.93
REFERRED TO DIRECTORATE	£44,477.64
REFERRED TO LEGAL	£76,715.80
SMALL CLAIMS COURT	£5,516.18
Grand Total	£802,710.33

- The £44.7K marked as Referred to Directorate for Action relates to 17 invoices. The largest value invoice is £6.3k.

- The total of the over six month debt value for Health Debt relates to 10 invoices. The highest value invoices are a combined sum of £266.3k 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 negotiation regarding this invoice.

13. C&C

DEBT CATEGORY	C&C
AR SECURED DEBT	£4,111.25
AUTOMATIC WRITEBACK	£605.98
EDUKENT	£969.60
A&I UNIT ONGOING ACTION	£9,312.02
INSTALMENTS	£1,181.79
LIQ'S/INSOLV'S/RECV	£1,172.44
REFERRED FOR WRITE OFF	£207,078.90
REFERRED TO DIRECTORATE	£2,262.75
SMALL CLAIMS COURT	£1,426.26
Grand Total	£228,120.99

- The £207.1k referred for write off includes 5 invoices only recently referred – where the company has ceased trading and has no assets.

14. EduKent

- For the first time this month, and to enable better monitoring, EduKent debt is being shown as a separate “Directorate” apart from ELS. As at the date of this report, the sum of £8,520.82 is allocated to this EduKent Debt and over six months’ old. This represents 9 invoices. Future reports will make appropriate comparisons between past and future data.

INSTALMENT PAYMENTS

15. The table over represents the amount and value of debt being paid by instalments:

Sundry debt instalments as at 31 May 2013			Previous	Month
Directorate	Number of cases	Total Value	Number of cases	Total Value
FSC & KASS	35	57,229	35	58,017
ELS	25	34,262	27	36,391
BSS	23	55,405	20	54,602
E&E	8	8,979	8	10,035
C&C	5	3,414	5	3,536
BSS PROPERTY RENTALS	0	0	1	1,210
Total	96	159,288	96	163,790

SUNDRY HEALTH DEBT

16. The Sundry Health debt is analysed every four weeks by the Social Care Debt Recovery staff. The Sundry Health Debt as at 28 May 2013 was identified as being £5,109,371.87 comprising of 131 invoices. Analysis by debtor is as over:

Customer Name	Not Yet Due	0-60 Days	61 - 181 Days	182+ Days	Total
CONTINUING HEALTHCARE NHS NORFOLK	0.00	12,624.61	0.00	0.00	12,624.61
CONTINUING HEALTHCARE NHS WEST KENT CCG	0.00	10,425.64	0.00	0.00	10,425.64
DARTFORD & GRAVESHAM NHS TRUST	0.00	8,218.84	6,181.11	0.00	14,399.95
EAST KENT HOSPITALS UNIVERSITY NHS FOUNDATION TRUST	662.40	79,890.80	432.00	0.00	80,985.20
EASTERN & COASTAL KENT PRIMARY CARE TRUST	0.00	5,443.02	0.00	12,657.90	18,100.92
HIGHLAND HEALTH AND SOCIAL CARE PARTNERSHIP	0.00	100.00	0.00	0.00	100.00
KENT & MEDWAY NHS SOCIAL CARE PARTNERSHIP TRUST	48,701.64	85,100.58	61,648.84	0.00	195,451.06
KENT AND MEDWAY NHS SCPT T/AS KENT AND MEDWAY CFE M E SERVICES	0.00	0.00	180.00	0.00	180.00
KENT COMMUNITY HEALTH NHS TRUST	24,234.00	397,291.07	344,623.64	0.00	766,148.71
LAMBETH PRIMARY CARE TRUST	0.00	0.00	0.00	266,309.06	266,309.06
LONDON PORT HEALTH AUTHORITY	14,485.20	5,229.60	0.00	0.00	19,714.80
MAIDSTONE & TUNBRIDGE WELLS NHS TRUST	0.00	0.00	5,368.48	119,748.26	125,116.74
MEDWAY COMMUNITY HEALTHCARE CIC	0.00	8,935.00	0.00	0.00	8,935.00

MEDWAY PCT	0.00	0.00	10,083.90	0.00	10,083.90
NHS EASTERN AND COASTAL KENT PCT	0.00	2,739,980.12	20,716.68	0.00	2,760,696.80
NHS KENT AND MEDWAY	0.00	0.00	5,735.39	0.00	5,735.39
NHS LAMBETH	0.00	0.00	0.00	88,999.68	88,999.68
NHS MEDWAY	0.00	129,878.01	0.00	0.00	129,878.01
NHS PROFESSIONALS LIMITED	0.00	0.00	90.00	0.00	90.00
NHS WEST KENT CCG	1,186.08	0.00	0.00	0.00	1,186.08
WEST KENT PCT	0.00	588,766.25	5,444.07	0.00	594,210.32
Grand Total	89,269.32	4,071,883.54	460,504.11	487,714.90	5,109,371.87

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-Apr-13	30-Apr-12	30-Apr-11	30-Apr-10	30-Apr-09	30-Apr-08
8%	12%	8%	6%	11%	12%

18. The numbers and values of invoices raised for the last 5 years are:

	2012-13	2011-12	2010-11	2009-10	2008-09
Number of invoices raised	28,353	32,029	29,336	30,369	34,097
Value of invoices raised	£237,392,631	£160,139,056	£176,597,554	£183,961,032	£183,804,045

WRITE OFFS

19. The table over shows the sum written off for 2013/14 as at 31 May 2013. The data is based on write offs input to the Receivables system in 2013/14 rather than the year they have been allocated to GL.

	Grand Total
KCC Adjustment Name	
BSS REVENUE DEBT	£3,570.96
C&C REVENUE DEBT	£2,480.42
E&E REVENUE DEBT	£2,482.26
ELS BAD DEBT	£53.62
ELS REVENUE DEBT	£9,393.96
FSC REVENUE DEBT	£3,979.17
Grand Total	£21,960.39

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 has started charging for day care from 23rd July 2012.
- (iv) In 2012/2013 the total amount of income charged to clients through the client billing system was £61,093,382.51. This is an increase of £1,116k compared to the previous financial year – and is likely to be as a result of the changes to the non-residential charging policy.

ANALYSIS OF CLIENT RELATED DEBT

21. As at the billing run on 28 May 2013 the overall client related social care debt stood at £18,901k. This debt can be broken down as follows:

Residential	£16,437k
Non-Residential	£2,464k
Total	£18,901k

22. Of the £18,901k only £14,076k is actually due for payment, invoices having only just been dispatched for the remaining £4,825k.
23. The £18,901k can be broken down between secured and unsecured debt as follows:

Customer Credit Status	28th May 2013
	£'000
Health	2
Secured	8,543
Unsecured	10,356
Grand Total	18,901

AGED ANALYSIS OF CLIENT RELATED DEBT

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

Sum of AR Outstanding Amount				
	Under Six Months	Six Months to a Year	Over One Year	Total Overdue
Total Unsecured	2,321.7k	920.7k	2,646.8k	5,889.2k

NUMBERS OF UNSECURED DEBTORS

25. There are currently 11,855 debtors which an unsecured debt. This figure includes both due and not yet due debts – which total £10,356k.

SOCIAL CARE DEBT MOVEMENTS

26. The two tables over show the movement in debt since April 2012, firstly in terms of total debt (due and not yet due, including secured and unsecured) and secondly the movements in unsecured overdue debt, which is the “highest” risk debt. Both tables show the breakdown of the movement by Locality; additionally the second table shows the position as at April 2011 and April 2010.

Total Debt	28th May 2013	30th April 2013	Movement since April 2012	April 2012
Locality	Total Debt £'000	Total Debt £'000	£'000	£'000
Dartford, Gravesham				
Swanley	3,427	3,375	424	3,003
Maidstone/Malling	3,093	3,034	-66	3,159
SW Kent	3,289	3,146	216	3,073
Ashford/Shepway	2,828	2,806	107	2,721
Canterbury/Swale	2,902	2,816	575	2,327
Thanet/Dover	3,361	3,318	-326	3,688
Total	18,901	18,495	930	17,971

Unsecured Overdue Debt	28th May 2013	30th April 2013	Movement since April 2012	April 2012	April 2011	April 2010
Locality	Total Debt £'000	Total Debt £'000	£'000	£'000	£'000	£'000
Dartford, Gravesham						
Swanley	1,083	1,027	16	1,067	1,141	1,052
Maidstone/Malling	761	741	-36	796	787	697
SW Kent	969	1,046	-236	1,205	941	875
Ashford/Shepway	1,003	1,046	123	880	1,029	1,136
Canterbury/Swale	934	930	151	783	1,051	1,099
Thanet/Dover	1,139	1,114	26	1,113	1,316	1,409
Total	5,889	5,905	44	5,845	6,264	6,267

BAD DEBT PROVISION – CLIENT RELATED

27. The total bad debt provision that exists for client related debt at the end of 2012/13 was £3,976k. 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.
28. The total provision includes £2,934k 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.
29. The general provision is £1,042k. 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 table below:

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

30. The sum written off as at 14 June 2013 for Social Care through Client Billing is £17,060.52. The data is based on write offs input to the Receivables system in 2013/14 rather than the year they have been allocated to GL.

RECOMMENDATION

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

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