

By: Deputy Leader and Cabinet Member for Finance & Procurement  
Corporate Director of Finance & Procurement

To: Governance & Audit Committee – 18 December 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 30 October 2013 as shown on Oracle Accounts Receivable Business Intelligence Suite is £39,026,951.52. This represents social care debt from SWIFT of £17,917,952.98 (28,783 invoices) and sundry debt of £21,108,998.54 (3121 invoices). Any debts paid by instalments but originating from a single invoice are counted only once. The sundry debt figures include Health debt of £3,273,559.73, although please see Paragraph 16 for further details of this.
4. The detail around the Social Care element of debt can be found in sections 20-30, with earlier sections referring to AR sundry debt only. The Social Care debt reflects the four weekly client billing process run on 15 October 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 30 October 2013:

Directorate	Not Yet Due	AR Overdue 0-60 Amount	AR Overdue 61-181 Amount	AR Overdue 182+ Amount	Total AR Outstanding Amount
BSS	£1,915,409.85	£531,107.79	£329,299.32	£167,993.53	£2,943,810.49
C&C	£318,038.57	£1,729,781.63	£81,500.40	£35,369.91	£2,164,690.51
CASHIER MISC INCOME	£0.00	£0.00	£0.30	£0.00	£0.30
E&E	£794,975.99	£265,064.93	£176,293.05	£96,515.67	£1,332,849.64
EDUKENT	£205,721.09	£3,438,395.15	£127,667.76	£3,398.69	£3,775,182.69
ELS	£637,194.55	£1,536,856.47	£235,829.86	£114,810.46	£2,524,691.34
FSC	£835,013.25	£3,386,030.15	£3,145,018.18	£1,001,711.99	£8,367,773.57
<b>Grand Total</b>	<b>£4,706,353.30</b>	<b>£10,887,236.12</b>	<b>£4,095,608.87</b>	<b>£1,419,800.25</b>	<b>£21,108,998.54</b>

## **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 30 October 2013, 73.87% of the total sundry outstanding debt was under 60 days old whilst 6.73% was over 6 months old.

There has been significant movement of debt between 0-60 days overdue – which has caused the under 60 days old debt to fall under the target.

This is due to a large number of high value invoices being raised recently.

## **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.

9. BSS

<b>DEBT CATEGORY</b>	<b>BSS</b>
AR SECURED DEBT	£7,527.75
EXC ONGOING ACTION	£24,093.25
HEALTH DEBT - HQ	£1,140.00
INSTALMENTS	£800.00
INTERNAL	£240.00
PAYMENT PLAN	£11,169.69
REFERRED FOR WRITE OFF	£14,545.45
REFERRED TO DIRECTORATE	£99,813.03
REFERRED TO LEGAL	£6,782.66
SMALL CLAIMS COURT	£1,881.70
<b>GRAND TOTAL</b>	<b>£167,993.53</b>

- The £99.8k marked as Referred to Directorate represents 45 invoices, the largest being a repayment of an empty property loan of £50k. This sum has reduced from £100k and discussions with Legal and the Regeneration Manager are ongoing in order to secure the remaining debt.

10. ELS

<b>DEBT CATEGORY</b>	<b>ELS</b>
IN THE PROCESS OF BEING TAGGED	£575.20
EDUKENT	£1,524.39
EXC ONGOING ACTION	£35,580.15
INSTALMENTS	£1,808.48
PAYMENT PLAN	£7,867.95
REFERRED FOR WRITE OFF	£105.00
REFERRED TO DIRECTORATE	£45,725.55
REFERRED TO LEGAL	£19,016.27
SMALL CLAIMS COURT	£2,607.47
<b>GRAND TOTAL</b>	<b>£114,810.46</b>

- The £45.7 marked as Referred to Directorate for action represents 14 invoices. A £40K payment has been received regarding services provided by the ELS Innovation Unit and is in the process of being allocated.

11. E&E

<b>DEBT CATEGORY</b>	<b>E&amp;E</b>
IN THE PROCESS OF BEING TAGGED	£6,667.25
AUTOMATIC WRITEBACK	£626.34
EXC ONGOING ACTION	£14,314.96
INSURANCE	£46,219.18
LIQ'S/INSOLV'S/RECV	£207.50
REFERRED FOR WRITE OFF	£453.69
REFERRED TO DIRECTORATE	£22,802.98
REFERRED TO LEGAL	£5,223.77
<b>GRAND TOTAL</b>	<b>£96,515.67</b>

- The £22.8k marked as Referred to Directorate represents 20 invoices, the largest being £4.2k to BT Openreach. Recovery negotiations are ongoing.

12. FSC

<b>DEBT CATEGORY</b>	<b>FSC</b>
IN THE PROCESS OF BEING TAGGED	£5,921.53
EXC ONGOING ACTION	£25,761.34
HEALTH DEBT - EK	£56,524.39
HEALTH DEBT - HQ	£53,322.54
HEALTH DEBT - SECURED - HQ	£84,666.07
HEALTH DEBT - SECURED - WK	£44,912.40
HEALTH DEBT - WK	£445,133.54
INSTALMENT - SMALL CLAIMS	£10,314.92
INSTALMENTS	£9,691.00
LIQ'S/INSOLV'S/RECV	£595.14
PARKED TERMINATED	£381.39
PAYMENT PLAN	£38,922.48
REFERRED FOR WRITE OFF	£42,994.94
REFERRED TO DIRECTORATE	£113,185.96
REFERRED TO LEGAL	£66,348.42
SMALL CLAIMS COURT	£3,035.93
<b>GRAND TOTAL</b>	<b>£1,001,711.99</b>

- The £113.2K marked as Referred to Directorate relates to 45 invoices. The largest value invoice is £48.9K and relates to an ordinary residence dispute. Kent County Council is in liaison with Hastings & Rother District Council regarding the responsibility for the provision of a Direct Payment Service for a service user in 2012. The Assistant Director

for Learning Disability in West Kent is currently engaging Legal Services.

- The total of the over six month debt value for Health Debt relates to 17 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 the NHS Continuing Health Care 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 – and is currently trying to arrange a meeting to resolve the issue.

13. C&C

<b>DEBT CATEGORY</b>	<b>C&amp;C</b>
AR SECURED DEBT	£4,111.25
AUTOMATIC WRITEBACK	£880.00
EDUKENT	£309.60
EXC ONGOING ACTION	£12,865.81
HEALTH DEBT – HQ	£180.00
INSTALMENTS	£802.04
LIQ'S/INSOLV'S/RECV	£1,605.63
REFERRED FOR WRITE OFF	£1,846.49
REFERRED TO DIRECTORATE	£10,603.08
REFERRED TO LEGAL	£562.64
SMALL CLAIMS COURT	£1,603.37
<b>GRAND TOTAL</b>	<b>£35,369.91</b>

- The £10.6k marked as Referred to Directorate refers to 3 invoices.

14. EduKent

- As at the date of this report, the sum of £3,398.69 is categorised as EduKent Debt over six months' old. This represents 3 invoices.

**INSTALMENT PAYMENTS**

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

Sundry debt instalments as at 30 October 2013			Previous Month	
Directorate	Number of cases	Total Value	Number of cases	Total Value
<b>FSC &amp; KASS</b>	24	£48,386.18	33	£83,923
<b>ELS</b>	13	£19,727	18	£40,548
<b>BSS</b>	12	£31,152	25	£55,462
<b>E&amp;E</b>	6	£5,474	6	£6,142
<b>C&amp;C</b>	1	£1,322.04	2	£3,584
<b>Total</b>	<b>56</b>	<b>£106,061</b>	<b>84</b>	<b>£189,659</b>

- The reduction is due to a review of instalment debts. A new debt tag of “payment plan” has been introduced in order to distinguish formal instalment plans paid via a Direct Debit arrangement from those debtors who have arranged an informal payment plan – currently 25 debtors.

### **SUNDRY HEALTH DEBT**

16. The Sundry Health Debt as at 30 October 2013 was identified as being £3,273,599.73 comprising of 123 invoices. This is a reduction of £1.8 million when compared to the position reported in May 2013. Analysis by debtor is as follows:

Customer Name	Not Yet Due	AR Overdue 0-60 Amount	AR Overdue 61-181 Amount	AR Overdue 182+ Amount	Total AR Outstanding Amount
EAST KENT HOSPITALS UNIVERSITY NHS FOUNDATION TRUST	£2,127.60	£0.00	£78,215.00	£0.00	£80,342.60
EASTBOURNE DGH PHARMACY	£0.00	£0.00	£502.80	£0.00	£502.80
EASTERN & COASTAL KENT PRIMARY CARE TRUST	£0.00	£0.00	£0.00	£10,624.90	£10,624.90
KENT & MEDWAY NHS SOCIAL CARE PARTNERSHIP TRUST	£56,035.32	£136,119.45	£30,751.24	£1,750.00	£224,656.01
KENT AND MEDWAY NHS SCPT T/AS KENT AND MEDWAY CFE M E SERVICES	£0.00	£0.00	£0.00	£180.00	£180.00
KENT COMMUNITY HEALTH NHS TRUST	£3,990.14	£34,700.00	£50.00	£81,666.07	£120,406.21
LAMBETH PRIMARY CARE TRUST	£0.00	£0.00	£0.00	£266,309.06	£266,309.06
LENWORTH CLINIC	£0.00	£0.00	£0.00	£80.00	£80.00
LONDON PORT HEALTH AUTHORITY	£4,004.40	£7,243.20	£0.00	£0.00	£11,247.60
NHS ASHFORD CCG	£0.00	£5,519.15	£3,044.00	£0.00	£8,563.15
NHS CANTERBURY & COASTAL CCG	£5,878.16	£88,470.04	£0.00	£0.00	£94,348.20
NHS DARTFORD, GRAVESHAM, AND SWANLEY CCG	£18,253.69	£350,621.34	£6,448.00	£0.00	£375,323.03
NHS EASTERN AND COASTAL KENT PCT	£0.00	£0.00	£99,360.00	£51,452.54	£150,812.54
NHS KENT AND MEDWAY	£0.00	£0.00	£0.00	£1,140.00	£1,140.00
NHS LAMBETH	£0.00	£0.00	£0.00	£88,999.68	£88,999.68
NHS MEDWAY CLINICAL COMMISSIONING GROUP	£0.00	£65,600.00	£0.00	£0.00	£65,600.00
NHS SOUTH KENT COASTAL CCG	£53,829.27	£1,340,819.21	£0.00	£0.00	£1,394,648.48
NHS SWALE CCG	£0.00	£142,612.28	£0.00	£0.00	£142,612.28
NHS THANET CCG	£207.38	£85,289.17	£1,471.51	£0.00	£86,968.06
NHS WEST KENT CCG	£5,381.20	£36,665.98	£55,000.00	£0.00	£97,047.18
SOUTH LONDON AND MAUDSLEY NHS TRUST	£0.00	£39,682.31	£0.00	£0.00	£39,682.31
THORNHILLS MEDICAL PRACTICE	£0.00	£0.00	£0.00	£40.00	£40.00
USE 70953 CONTINUING HEALTHCARE NHS WEST KENT CCG	£0.00	£0.00	£10,425.64	£0.00	£10,425.64
WEST KENT PCT	£0.00	£0.00	£0.00	£3,000.00	£3,000.00
<b>Grand Total</b>	<b>£149,707.16</b>	<b>£2,333,342.13</b>	<b>£285,268.19</b>	<b>£505,242.25</b>	<b>£3,273,559.73</b>

## 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
<b>Number of invoices raised</b>	28,353	32,029	29,336	30,369	34,097
<b>Value of invoices raised</b>	£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 30 October 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.

<b>KCC Adjustment Name</b>	<b>Grand Total</b>
BSS REVENUE DEBT WRITE OFF	£6,384.81
C&C REVENUE DEBT WRITE OFF	£184,301.61
E&E BAD DEBT WRITE OFF	£645.00
E&E REVENUE DEBT WRITE OFF	£4,651.76
ELS BAD DEBT WRITE OFF	£53.62
ELS REVENUE DEBT WRITE OFF	£11,320.62
FSC REVENUE DEBT WRITE OFF	£51,837.88
WRITE OFF/WRITE BACK REVERSAL	(£856.49)
<b>Grand Total</b>	<b>£258,338.81</b>

## 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.

- (iv) 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.
- (v) 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 15 October 2013 the overall client related social care debt stood at £18,969k. This debt can be broken down as follows:

Residential	£16,427k
Non-Residential	£2,542k
<b>Total</b>	<b>£18,969k</b>

22. Of the £18,969k only £14,113k is actually due for payment, invoices having only just been dispatched for the remaining £4,856k.
23. The £18,969k can be broken down between secured and unsecured debt as follows:

<b>Customer Credit Status</b>	<b>15-Oct-13</b>
	£'000
<b>Health</b>	£14
<b>Secured</b>	£8,218
<b>Unsecured</b>	£10,737
<b>Grand Total</b>	<b>£18,969</b>

### **AGED ANALYSIS OF CLIENT RELATED DEBT**

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

<b>Sum of AR Outstanding Amount</b>				
	Under Six Months	Six Months to a Year	Over One Year	Total Overdue
<b>Total Unsecured</b>	<b>£2,667k</b>	<b>£921.3k</b>	<b>£2,656k</b>	<b>£6,244k</b>

### **NUMBERS OF UNSECURED DEBTORS**



25. There are currently 12,214 debtors which an unsecured debt. This figure includes both due and not yet due debts – which total £10,737k.

### **SOCIAL CARE DEBT MOVEMENTS**

26. The two tables below show the movement in debt since April 2013, 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 since April 2010.

<b>Total Debt</b>	<b>15thOct 2013</b>	<b>30th April 2013</b>
<b>Locality</b>	<b>Total Debt</b>	<b>Total Debt</b>
	<b>£'000</b>	<b>£'000</b>
<b>Dartford, Gravesham Swanley</b>	£3,549	£3,375
<b>Maidstone/Malling</b>	£3,180	£3,034
<b>SW Kent</b>	£3,243	£3,146
<b>Ashford/Shepway</b>	£3,095	£2,806
<b>Canterbury/Swale</b>	£2,843	£2,816
<b>Thanet/Dover</b>	£3,059	£3,318
<b>Total</b>	<b>£18,969</b>	<b>£18,495</b>

<b>Unsecured Overdue Debt</b>	<b>15thOct 2013</b>	<b>April</b>	<b>April</b>	<b>April</b>	<b>April</b>
<b>Locality</b>	<b>Total Debt</b>				
	<b>£'000</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>
		<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Dartford, Gravesham</b>					
<b>Swanley</b>	£1,096	£1,013	£1,067	£1,141	£1,052
<b>Maidstone/Malling</b>	£786	£808	£796	£787	£697
<b>SW Kent</b>	£1,102	£1,094	£1,205	£941	£875
<b>Ashford/Shepway</b>	£1,175	£1,084	£880	£1,029	£1,136
<b>Canterbury/Swale</b>	£928	£965	£783	£1,051	£1,099
<b>Thanet/Dover</b>	£1,160	£1,112	£1,113	£1,316	£1,409
<b>Total</b>	<b>£6,246</b>	<b>£6,076</b>	<b>£5,845</b>	<b>£6,264</b>	<b>£6,267</b>

Many of the debts currently marked as unsecured will move to the secured tag once the Legal Charge, that has already been requested, is registered.

### **WRITE OFFS**

27. The sum written off as at 15 October for Social Care through Client Billing is £265,798.26. 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**

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

**Andrea Hanson**  
Acting Team Leader (Debt Recovery)  
0300 333 5314