

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

To: Governance & Audit Committee – 24 July 2014.

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 31st May 2014, as shown on Oracle Accounts Receivable Business Intelligence Suite, is £45.7m. This represents social care debt from SWIFT of £19.5m (30,409 invoices) and sundry debt of £26.2m (3,502 invoices). Any debts paid by instalments but originating from a single invoice are counted only once for sundry debtors. The sundry debt figures include Health debt of £5.2m, although please see Paragraph 16 for further details of this.
4. The total debt reported has increased by £6.7m from the £39.0m reported in the last Governance and Audit report. However, the value of total debt at any given date can vary considerably, particularly when large one-off invoices are raised, or depending on when the last batch of four-weekly social care invoices were issued. A better measure of comparative performance can be seen by movements in the value of sundry debt over six months' old as a percentage of total debt over the course of the last seven years, as the table below illustrates.

30-Apr-14	30-Apr-13	30-Apr-12	30-Apr-11	30-Apr-10	30-Apr-09	30-Apr-08
7%	8%	12%	8%	6%	11%	12%

5. The detail around the Social Care element of debt, as well as the movement in value since the last report, can be found in sections 20-29, with earlier sections referring to AR sundry debt only. The Social Care debt analysed from this point on reflects the four weekly client billing process run on Tuesday 27th May 2014.
6. Please note that changes in the most recent directorate structure are reflected in this report. This also means that debt incurred prior to the latest restructure is reported separately where appropriate. 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.
7. The table below is an analysis of the summary position for Sundry debt as at 31st May 2014

FTC	Directorate	Not Yet Due	AR Overdue 0-60 Amount	AR Overdue 61-181 Amount	AR Overdue 182+ Amount	Total AR Outstanding Amount	Total Overdue AR Outstanding Amount
NEW DIR	EY	£691,631.53	£7,072.17	£0.00	£0.00	£698,703.70	£7,072.17
	GT	£1,566,280.76	£701,409.66	£0.00	£0.00	£2,267,690.42	£701,409.66
	SC	£771,253.98	£2,139,532.78	£0.00	£0.00	£2,910,786.76	£2,139,532.78
	ST	£678,240.23	£122,952.73	£0.00	£0.00	£801,192.96	£122,952.73
OLD DIR	BSS	£88,042.66	£1,510,945.59	£1,017,834.17	£207,255.92	£2,824,078.34	£2,736,035.68
	C&C	£63,369.86	£661,661.79	£38,623.51	£38,872.61	£802,527.77	£739,157.91
	E&E	£9,206.24	£399,799.59	£128,298.11	£82,511.42	£619,815.36	£610,609.12
	ELS	£71,576.12	£695,977.19	£120,576.10	£126,042.37	£1,014,171.78	£942,595.66
	FSC	£40,331.03	£1,585,453.55	£795,129.81	£4,378,685.71	£6,799,600.10	£6,759,269.07
OTHER	EDUKENT	£183,128.87	£185,265.77	£27,163.19	£20,518.32	£416,076.15	£232,947.28
	Penalty Notices	£40,320.00	£12,720.00	£0.00	£0.00	£53,040.00	£12,720.00
	Property Rents	£170,624.68	£170,454.97	£0.00	£0.00	£341,079.65	£170,454.97
	SCHOOL PAYROLL	£6,624,166.65	£0.00	£0.00	£0.00	£6,624,166.65	£0.00
Grand Total		£10,998,172.61	£8,193,245.79	£2,127,624.89	£4,853,886.35	£26,172,929.64	£15,174,757.03

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

As at 31 May 2014, 73.33% of the total sundry outstanding debt was under 60 days old whilst 18.55% was over 6 months old.

There are nine exceptional invoices totalling £4.1m that have been raised to the Home Office for un-met asylum costs which are adversely affecting the KPI percentages. If these invoices were excluded from the calculation the total sundry outstanding debt would be as follows:

- Total sundry outstanding debt under 60 days is 86.87%
- Total sundry debt over 6 months old is 5.34%

DEBT LEVELS OVER SIX MONTHS OF AGE

9. Below 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 “Other” – this is usually 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.

10. **BSS – Business Strategy and Support**

DEBT CATEGORY	BSS
AR SECURED DEBT	£4,027.75
EDUKENT	£30,000.00
EXC ONGOING ACTION	£25,252.35
INSTALMENTS	£710.00
INTERNAL	£1,740.00
OTHER	£224.00
ACTION SUSPENDED	£210.00
PAYMENT PLAN	£17,711.25
REFERRED FOR WO	£7,745.85
REFERRED TO DIRECTORATE	£107,986.32
REFERRED TO LEGAL	£10,011.70
SMALL CLAIMS COURT	£1,636.70
GRAND TOTAL	£207,255.92

- The £107,986.32 tagged as “Referred to Directorate” consists of 15 invoices. Of these, the largest one refers to the repayment of an empty property loan of £50,000. This sum has reduced from £100,000, is secured and payment of the remaining amount is expected by the end of July.
- The second largest invoice tagged as “Referred to Directorate” relates to a duplicate payment of £23,750.00 made to a company that has since claimed it is on the verge of winding up. This matter is with Legal Services who are actively pursuing the matter.
- The debt tagged Edukent relates to once invoice of £30,000.00. Edukent advise that a dispute is close to resolution and payment is expected shortly.

11. ELS - Education, Library and Skills

DEBT CATEGORY	ELS
EXC ONGOING ACTION	£9,064.83
INSTALMENTS	£603.87
OTHER	£360.00
PAID TO CS IN ERROR	£276.00
PAYMENT PLAN	£7,012.01
REFERRED FOR WO	£4,973.60
REFERRED TO DIRECTORATE	£62,778.32
REFERRED TO LEGAL	£38,966.27
SMALL CLAIMS COURT	£2,007.47
GRAND TOTAL	£126,042.37

- The £62,778.32 tagged as "Referred to Directorate" includes an invoice for £60,000.00 owed by Canterbury City Council for works relating to the Arena at Herne Bay High School. This has not been paid owing to an ongoing dispute about a small proportion of the work. It has been agreed therefore that the directorate will cancel the invoice and raise a new one for the element of the work that has been completed to the debtor's satisfaction, with a future invoice to be raised once the remaining issued are resolved.

12. E&E - Environment &Enterprise

DEBT CATEGORY	E&E
EXC ONGOING ACTION	£15,919.09
INSURANCE	£50,787.37
LIQ'S/INSOLV'S/RECV	£361.00
OTHER	£10,678.77
PAYMENT PLAN	£153.33
REFERRED FOR WO	£1,812.62
REFERRED TO DIRECTORATE	£2,629.24
REFERRED TO LEGAL	£170.00
GRAND TOTAL	£82,511.42

- The £2,629.24 tagged as "Referred to Directorate" includes an invoice of £1,779.95 owed by Thanet District Council.
- The £10,678.77 of debt without a Tag Status, referred to as "Other" purely relates to Permits' debts, which are chased directly by the directorate. An update has been sought from the responsible staff member.

13. FSC - Families and Social Care

DEBT CATEGORY	FSC
---------------	-----

EXC ONGOING ACTION	£83,430.04
HEALTH DEBT - SECURED - HQ	£16,186.18
HEALTH DEBT - WK	£355,308.74
INSTALMENT - SMALL CLAIMS	£8,417.38
LIQ'S/INSOLV'S/RECV	£1,082.34
OTHER	£2,279.75
SUSPENDED ACTION	£4,735.85
PAYMENT PLAN	£81,289.72
REFERRED FOR WO	£48,197.27
REFERRED TO DIRECTORATE	£3,755,711.59
REFERRED TO LEGAL	£17,606.37
SMALL CLAIMS COURT	£4,440.48
GRAND TOTAL	£4,378,685.71

- The £3,755,711.59 tagged as “Referred to Directorate” includes £3,674,961.90 that relates to the Home Office invoices as described in Paragraph 8.

14. C&C - Customers & Community

DEBT CATEGORY	C&C
AR SECURED DEBT	£4,111.25
AUTOMATIC WRITEBACK	£1,239.25
EXC ONGOING ACTION	£8,147.40
HEALTH DEBT - SECURED - HQ	£16,860.61
LIQ'S/INSOLV'S/RECV	£1,592.38
OTHER	£206.40
PAID TO CS IN ERROR	£50.00
PAYMENT PLAN	£732.04
REFERRED FOR WO	£469.20
REFERRED TO DIRECTORATE	£4,292.08
SMALL CLAIMS COURT	£1,172.00
GRAND TOTAL	£38,872.61

- The £4,292.08 marked as “Referred to Directorate” refers to five invoices, the largest of which is a Salary Overpayment debt of £2151.71.

15. EduKent

DEBT CATEGORY	EDUKENT
OTHER	£20,518.32
GRAND TOTAL	£20,518.32

- As at the date of this report, the sum of £20,518.32 is categorised as EduKent Debt over six months' old. This represents 1 invoice, which is owed by The Canterbury Academy. Payment is expected by the end of the week, as at the time of writing.

INSTALMENT PAYMENTS

16. The tables following represent the amount and value of debt being paid by instalments. Please note that, 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 a payment plan that will be made by another payment method. Tables analysing both types of debtors are included.

Sundry debt instalments as at 31 May 2014			Previous Report	
Directorate	Number of cases	Total Value	Number of cases	Total Value
FSC	21	£14,525	24	£48,386
ELS	10	£1,986	13	£19,727
BSS	13	£15,723	12	£31,152
C&C	0	£0	6	£5,474
E&E	5	£1,257	1	£1,322
Penalty Notices	1	£120	0	£0
Total	50	£33,611	56	£106,061

Sundry debt Pay Plan as at 31 May 2014			Previous Report	
Directorate	Number of cases	Total Value	Number of cases	Total Value
FSC	40	£83,631	0	£0
ELS	8	£12,841	0	£0
BSS	7	£17,711	0	£0
C&C	1	£732	0	£0
E&E	1	£153	0	£0
Penalty Notices	0	£0	0	£0
Total	57	£115,069	0	£0

SUNDRY HEALTH DEBT

17. The Sundry Health Debt as at 31st May 2014 was identified as being £5,172,716.39 comprising of 182 invoices. This is an increase of £1.9 million when compared to the position reported in October 2013. However it should be noted that the sundry health debt aged over six months has decreased in the same period by £117k. The Sundry Health debt as at 31st May 2014 includes all current debt identified as being owed by a debtor classed as "Health", even if new debts had not yet been tagged as such. Analysis by debtor is as follows:

Customer Name	Sum of Not Yet Due	Sum of AR Overdue 0-60 Amount	Sum of AR Overdue 61-181 Amount	Sum of AR Overdue 182+ Amount	Sum of Total AR Outstanding Amount
BIRCHINGTON MEDICAL CENTRE	900.00	0.00	0.00	0.00	900.00
EAST KENT HOSPITALS UNIVERSITY NHS FOUNDATION TRUST	405.00	684.00	0.00	0.00	1,089.00
KENT & MEDWAY NHS SOCIAL CARE PARTNERSHIP TRUST	6,914.25	92,756.34	0.00	0.00	99,670.59
KENT AND MEDWAY COMMISSIONING SUPPORT	0.00	2,583.84	0.00	0.00	2,583.84
KENT COMMUNITY HEALTH NHS TRUST	5,358.41	271,917.39	0.00	0.00	277,275.80
LAMBETH PRIMARY CARE TRUST	0.00	0.00	0.00	266,309.06	266,309.06
LONDON PORT HEALTH AUTHORITY	6,957.60	0.00	0.00	0.00	6,957.60
MARDEN MEDICAL CENTRE	64.00	0.00	0.00	0.00	64.00
NHS ASHFORD CCG	25,560.58	459,924.92	99,293.52	0.00	584,779.02
NHS CANTERBURY & COASTAL CCG	60,083.40	47,905.95	135,520.00	0.00	243,509.35
NHS DARTFORD, GRAVESHAM, AND SWANLEY CCG	11,847.60	94,180.16	77,545.64	33,046.79	216,620.19
NHS EASTERN & COASTAL CCG	0.00	133,084.22	0.00	0.00	133,084.22
NHS ENGLAND RE PCT/SHA CLOSURE	3,765.34	27,234.34	42,745.04	0.00	73,744.72
NHS KENT & MEDWAY CSU	118,135.28	1,320.00	0.00	0.00	119,455.28
NHS LAMBETH	0.00	0.00	0.00	88,999.68	88,999.68
NHS MEDWAY CCG	0.00	40,804.00	0.00	0.00	40,804.00
NHS MEDWAY CLINICAL COMMISSIONING GROUP	90,374.00	0.00	0.00	0.00	90,374.00
NHS PROPERTY SERVICES LTD	0.00	445.80	24,104.94	0.00	24,550.74
NHS SOUTH KENT COASTAL CCG	82,654.69	1,018,527.26	0.00	0.00	1,101,181.95

NHS SWALE CCG	37,763.41	109,889.98	776.75	0.00	148,430.14
NHS THANET CCG	95,254.66	304,739.21	145,729.23	0.00	545,723.10
NHS WEST KENT CCG	46,203.48	1,054,117.63	0.00	0.00	1,100,321.11
SUFFOLK COMMUNITY HEALTHCARE	160.00	0.00	0.00	0.00	160.00
THE TAVISTOCK AND PORTMAN NHS FOUNDATION TRUST	0.00	6,129.00	0.00	0.00	6,129.00
Grand Total	592,401.70	3,666,244.04	525,715.12	388,355.53	5,172,716.39

TRENDS

18. The numbers and values of invoices raised for the last 6 years are:

	2013-14	2012-13	2011-12	2010-11	2009-10	2008-09
Number of invoices raised	30,290	28,353	32,029	29,336	30,369	34,097
Value of invoices raised	£246,893,065	£237,392,631	£160,139,056	£176,597,554	£183,961,032	£183,804,045

WRITE OFFS

19. The table below shows the sum written off for 2013/14 in relation to Sundry debts. 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. As of 12th June 2014, £4,845.62 has been entered to ORACLE as a write off for the current financial year.

DIRECTORATE	SUNDRY
BSS REVENUE DEBT WO	£11,699.06
C&C REVENUE DEBT WO	£188,673.11
E&E BAD DEBT WO	£645.00
E&E REVENUE DEBT WO	£16,493.86
ELS BAD DEBT WO	£53.62
ELS REVENUE DEBT WO	£17,427.00
FSC REVENUE DEBT WO	£69,038.18
WOWRITE BACK REVERSAL	(£1,100.86)
Grand Total	£302,928.97

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 2013/2014 the total amount of income charged to clients through the client billing system was £67,091,677.04. This is an increase of nearly £6 million compared to the previous financial year. This is principally due to the fact that there were 14 billing runs in 2013/14 as opposed to the usual 13 billing runs. However, the average amount billed on each invoice run has increased from £4,699,500.48 in 2012/13 to £4,792,262.65 in 2014/15.

ANALYSIS OF CLIENT RELATED DEBT

21. As at the billing run on 27 May 214 the overall client related social care debt stood at £19,574k. This debt can be broken down as follows:

Debt Type	£'000
Residential	16,944
Non-Residential	2,630
Total	19,574

22. Of the £19,574k, £4,818k relates to the latest billing run and is therefore not yet due. This leaves £14,755k regarded as due debt, compared to £14,491k as at the previous billing run on 29th April 2014, an increase of £265k. A contributing factor for the rise is the fact that the invoices were issued five days later than usual.
23. The £19,574k can be broken down between secured and unsecured debt as follows:

Credit Status	£'000
---------------	-------

Health	9
Secured	8,695
Unsecured	10,869
Total	19,574

AGED ANALYSIS OF CLIENT RELATED DEBT

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

Unsecured Debt	Under Six Months	Six Months to a Year	Over One Year	Total Overdue
	£'000	£'000	£'000	£'000
Total Unsecured	2,730	1,020	2,654	6,404

NUMBERS OF UNSECURED DEBTORS

25. There are currently 12,276 debtors with an unsecured debt or credit on their account. This figure includes both due and not yet due debts – which total £10,869k.

SOCIAL CARE DEBT MOVEMENTS

26. With effect from April 2014, social care debt is reported in terms of the new localities. It is therefore not possible to show the locality movements. For this reason, four tables are included below, with the first two tables showing the historic debt in terms of the old localities, and the second two tables showing the current debt in terms of the new localities.
27. The two sets of tables below show firstly the total debt (due and not yet due, including secured and unsecured) and secondly the unsecured overdue debt, which is the “highest” risk debt.

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

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

Total Debt	27-May-14
Locality	Total Debt
	£'000
Dartford Gravesham Swanley and Swale	4,663
West Kent	5,603
Ashford and Canterbury	3,495
Thanet and South Kent Coastal	4,612
East Kent LD	717
West Kent LD	320
Mental Health	159
Corporate	5
Total	19,574

Unsecured Overdue Debt - All Localities	27-May-14
Locality	Total Debt
	£'000
Dartford Gravesham Swanley and Swale	1,513
West Kent	1,707
Ashford and Canterbury	1,115
Thanet and South Kent Coastal	1,658
East Kent LD	216
West Kent LD	83
Mental Health	110
Corporate	3
Total	6,404

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. Future reports will compare data across the localities using the new boundary realignment split.

WRITE OFFS

28. As at 31 May 2014, £94,572.82 in Social Care write offs had been processed in ORACLE since 1 April 2014. This figure includes any write back reversals that have been input this year. Write offs processed in previous years are as follows:

Social Care Write Offs	
Year	Amount
2013 - 2014	£400,685.90
2012 - 2013	£188,124.22
2011 - 2012	£468,094.95
2010 - 2011	£254,829.22
2009 - 2010	£433,369.86

CONCLUSION

29. Total Sundry Debt has increased from £21.1 million to £26.2 million since the last Governance and Audit report. This is largely due to the overdue Home Office invoices referred to in paragraph 8. The overdue element of the debt has actually reduced from £16.4 million to £15.2 million, since the date of the last Governance and Audit report, although the over six month element of the debt has increased considerably; however, again this is due to the Home Office invoices.
30. Total Social Care debt has increased from £19.0 million to £19.6 million since the last Governance and Audit report; however the majority of the increase is in secured debt which has increased from £8.2 million to £8.7 million. Unsecured debt has increased from £10.7 million to £10.9 million; however it should be noted that the invoices prior to the billing run date analysed were despatched five days later than usual this time. The overdue element of the Social Care debt has increased from £6.25 million to £6.4 million.
31. The most recent Debt Recovery Internal Audit report dated 7th February 2014 gave a "Substantial" opinion, stating that "the system of control is adequate and controls are generally operating effectively".

RECOMMENDATION

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

Chris Wimhurst

Team Leader (Debt Recovery)

03000 410966

Email: christopher.wimhurst@kent.gov.uk