

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

To: Governance & Audit Committee – 29 January 2015

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 1 December 2014, as shown on Oracle Accounts Receivable Business Intelligence Suite, is £28.2m. This represents Social Care debt of £14.9m (29,166 invoices) and Sundry Debt of £13.3m (3,570 invoices).
4. The sundry debt figures include Health debt of £2.9m, although please see Paragraph 21 for further details of this.
5. The total debt reported has decreased by £17.5m from the £45.7m 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 – and thus paid. 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%

6. 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 24-32, with earlier sections referring to Sundry debt only. The Social Care debt analysed from this point on reflects the four weekly client billing process run on Tuesday 9 December 2014.

7. 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.
8. The table below is an analysis of the summary position for Sundry debt as at 1 December 2014:

FTC	Directorate	Not Yet Due	AR Overdue 0-60 Amount	AR Overdue 61-181 Amount	AR Overdue 182+ Amount	Total AR Outstanding Amount
New Directorate	EY	£1,071,894.68	£662,613.09	£81,784.45	£310.00	£1,816,602.22
	GT	£2,175,209.60	£618,600.39	£119,403.91	£1,875.88	£2,915,089.78
	SC	£1,927,166.47	£1,680,936.24	£468,157.20	£11,692.05	£4,087,951.96
	ST	£790,207.78	£541,822.28	£316,061.24	£11,891.07	£1,659,982.37
Old Directorate	BSS	£85,368.55	£196,293.94	£1,114.59	£612,398.56	£895,175.64
	C&C	£0.00	£726.00	£3,489.60	£30,637.61	£34,853.21
	E&E	£6,077.71	£0.00	£40.00	£100,734.85	£106,852.56
	ELS	£58,828.04	£0.00	£0.00	£151,344.87	£210,172.91
	FSC	£44,974.37	£0.00	£1,239.46	£495,980.29	£542,194.12
Other	EDUKENT	£187,017.35	£299,834.25	£257,603.78	£2,156.28	£746,611.66
	Penalty Notices	£79,180.00	£6,780.00	£6,960.00	£0.00	£92,920.00
	Property Rents	£62,144.70	£26,103.24	£81,465.00	£0.00	£169,712.94
Grand Total		£6,488,069.25	£4,033,709.43	£1,337,319.23	£1,419,021.46	£13,278,119.37

PERFORMANCE

9. 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 1 December 2014, 79.24% of the total sundry outstanding debt was under 60 days old whilst 10.69% was over 6 months old.

DEBT LEVELS OVER SIX MONTHS OF AGE

10. 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.

11. EY – Early Years

DEBT CATEGORY	AMOUNT OUTSTANDING
ONGOING ACTION	£310.00
TOTAL	£310.00

- The £310.00 refers to 3 invoices. All providers have been supplied with a copy invoice for payment.

12. GT – Growth, Environment & Transport

DEBT CATEGORY	AMOUNT OUTSTANDING
ONGOING ACTION	£775.88
OTHER	£400.00
REFERRED TO DIRECTORATE	£700.00
TOTAL	£1,875.88

- There are 5 outstanding invoices over 6 months for GT – the Debt Recovery Team is in liaison with the Directorate.

13. SC – Strategic Commissioning

DEBT CATEGORY	AMOUNT OUTSTANDING
ONGOING ACTION	£11,154.23
INSTALMENTS	£360.22
REFERRED FOR WRITE OFF	£177.60
TOTAL	£11,692.05

- None of these debts have yet been referred to the Directorate, the Debt Recovery Team is currently addressing each of these debts.

14. ST – Strategic & Corporate Services

DEBT CATEGORY	AMOUNT OUTSTANDING
PAYMENT PLAN	£6,768.11
REFERRED TO DIRECTORATE	£5,122.96
TOTAL	£11,891.07

- Of the £11,891.07 outstanding, 11 debts have been “Referred to the Directorate” for assistance or further instruction regarding recovery of the debt.

15. BSS – Business Strategy and Support

DEBT CATEGORY	AMOUNT OUTSTANDING
EDUKENT	£32,920.08
ONGOING ACTION	£253,419.17
HEALTH DEBT - HQ	£88,587.14
INSTALMENT - SMALL CLAIMS	£1,027.75
INSTALMENTS	£0.00
INTERNAL	£1,050.00
OTHER	£0.00
PARKED TERMINATED	£210.00
PAYMENT PLAN	£20,739.15
REFERRED FOR WRITE OFF	£11,112.47
REFERRED TO DIRECTORATE	£191,859.40
REFERRED TO LEGAL	£10,011.70
SMALL CLAIMS COURT	£1,461.70
TOTAL	£612,398.56

- The £191,986.17 tagged as “Referred to Directorate” consists of 22 invoices. Of these, the largest one refers to a Commercial Services debt owed to Corporate Finance for Pensions Charges - negotiations regarding the debt are ongoing.

16. C&C – Customers & Community

DEBT CATEGORY	AMOUNT OUTSTANDING
AR SECURED DEBT	£4,111.25
AUTOMATIC WRITEBACK	£1,867.65
ONGOING ACTION	£9,132.10
INSTALMENT - SMALL CLAIMS	£1,052.00
LIQ'S/INSOLV'S/RECV	£7,736.13
OTHER	£73.68
PAYMENT PLAN	£692.04
REFERRED FOR WRITE OFF	£186.00
REFERRED TO DIRECTORATE	£5,786.76
TOTAL	£30,637.61

- The £5,786.76 tagged as “Referred to Directorate” consists of 7 invoices. Of these, the largest one refers to a salary overpayment and is being paid off in instalments.

17. E&E - Environment & Enterprise

DEBT CATEGORY	AMOUNT OUTSTANDING
ONGOING ACTION	£42,502.13
INSTALMENT - SMALL CLAIMS	£0.00
INSTALMENTS	£0.00
INSURANCE	£42,490.14
LIQ'S/INSOLV'S/RECV	£6,023.35
PAYMENT PLAN	£1,028.33
REFERRED FOR WRITE OFF	£472.48
REFERRED TO DIRECTORATE	£5,654.26
REFERRED TO LEGAL	£2,564.16
TOTAL	£100,734.85

- The £5,654.26 tagged as “Referred to Directorate” consists of 7 invoices. Of these, the largest invoice for £4,017.71 is for Sainsbury Supermarket for traffic signals commissioning at Sainsbury’s in Northfleet. Despite numerous attempts to secure payment it has proven unsuccessful and we are therefore awaiting direction and assistance from the Budget Holder in Growth, Environment and Transport.

18. ELS – Education, Learning & Skills

DEBT CATEGORY	AMOUNT OUTSTANDING
AUTOMATIC WRITEBACK	£297.60
EDUKENT	£1,508.47
ONGOING ACTION	£1,170.00
OTHER	£170.00
PAID TO CS IN ERROR	£80.00
PAYMENT PLAN	£6,230.88
REFERRED FOR WRITE OFF	£40.00
REFERRED TO DIRECTORATE	£121,768.79
REFERRED TO LEGAL	£19,016.27
SMALL CLAIMS COURT	£1,062.86
TOTAL	£151,344.87

- The £121,768.79 tagged as “Referred to Directorate” consists mainly of one invoice totalling £120,000. Full payment has since been received and the debt is no longer outstanding.

19. FSC - Families and Social Care

DEBT CATEGORY	AMOUNT OUTSTANDING
ONGOING ACTION	£50,322.86
HEALTH DEBT - HQ	£37,942.57
HEALTH DEBT - SECURED - HQ	£42,745.04
INSTALMENT - SMALL CLAIMS	£8,317.38
INSTALMENTS	£0.00
LIQ'S/INSOLV'S/RECV	£1,082.34
OTHER	£120.00
PARKED TERMINATED	£4,354.46
PAYMENT PLAN	£66,551.29
REFERRED FOR WRITE OFF	£69,426.27
REFERRED TO DIRECTORATE	£135,924.86
REFERRED TO LEGAL	£70,083.43
SMALL CLAIMS COURT	£9,109.79
TOTAL	£495,980.29

- The £135,924.86 tagged as “Referred to Directorate” consists of 41 Invoices. Of these, the largest invoice for £24,967.79 is for London Borough of Croydon for the reclaim of costs regarding a Fostering Placement made by Kent within the Borough. Payment has not been forthcoming due to a dispute with the invoice value; the dispute has recently been resolved and a copy invoice provided for payment.

20. EduKent

DEBT CATEGORY	AMOUNT OUTSTANDING
EDUKENT	£2,156.28
TOTAL	£2,156.28

- The £2,156.28 refers to 15 invoices. The EduKent team are currently trying to recover these debts.

SUNDRY HEALTH DEBT

21. The Sundry Health Debt as at 1 December 2014 was identified as being £2.9 million comprising of 42 invoices. This is a decrease of £2.3 million when compared to the position reported in July 2014. The Sundry Health debt as at 1 December 2014 includes all current debt identified as being owed by a debtor classed as “Health Debt”, to include secured and unsecured debt-even if new debts had not yet been tagged as such. Analysis by debtor is as over:

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
EAST KENT HOSPITALS UNIVERSITY NHS FOUNDATION TRUST	£0.00	£491.40	£399.00	£0.00	£890.40
HIGHLAND HEALTH AND SOCIAL CARE PARTNERSHIP	£0.00	£100.00	£0.00	£0.00	£100.00
KENT & MEDWAY NHS SOCIAL CARE PARTNERSHIP TRUST	£58596.35	£7980.83	£100.00	£100.00	£66777.18
KENT AND MEDWAY NHS SCPT T/AS KENT AND MEDWAY CFE M E SERVICES	£399.00	£0.00	£0.00	£0.00	£399.00
KENT COMMUNITY HEALTH NHS TRUST	£9612.75	£3780.00	£107.10	£0.00	£13499.85
LONDON PORT HEALTH AUTHORITY	£8586.00	£0.00	£0.00	£0.00	£8586.00
MAIDSTONE & TUNBRIDGE WELLS NHS TRUST	£325.00	£50.00	£0.00	£0.00	£375.00
NHS ASHFORD CCG	£44577.12	£72194.75	£0.00	£88587.14	£205359.01
NHS CANTERBURY & COASTAL CCG	£76919.50	£0.00	£0.00	£0.00	£76919.50
NHS COMMISSIONING BOARD	£1145000.00	£0.00	£0.00	£0.00	£1145000.00
NHS DARTFORD, GRAVESHAM, AND SWANLEY CCG	£35965.92	£32109.05	£259475.12	£37065.82	£364615.91
NHS ENGLAND RE PCT/SHA CLOSURE	£0.00	£0.00	£0.00	£42745.04	£42745.04
NHS MEDWAY CLINICAL COMMISSIONING GROUP	£66802.34	£0.00	£0.00	£0.00	£66802.34
NHS PROPERTY SERVICES LTD	£0.00	£1961.77	£0.00	£0.00	£1961.77
NHS SOUTH KENT COASTAL CCG	£109811.46	£116659.92	£7660.00	£0.00	£234131.38
NHS SWALE CCG	£58579.24	£212547.76	£0.00	£776.75	£271903.75
NHS THANET CCG	£46760.66	£1038.38	£32423.00	£0.00	£80222.04
NHS WEST KENT CCG	£110793.96	£159890.53	£21136.41	£0.00	£291820.90
SOUTH LONDON AND MAUDSLEY NHS TRUST	£50143.27	£0.00	£0.00	£0.00	£50143.27
THE JOHN TOWNSEND TRUST	£0.00	£50.00	£0.00	£0.00	£50.00
Grand Total	£1822872.57	£608854.39	£321300.63	£169274.75	£2922302.34

TRENDS

22. 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

23. The table below shows the sum written off for the financial year 2014/15 to date in relation to Sundry debts.

Directorate	Total Write Offs
BSS REVENUE	£12,170.88
C&C REVENUE	£4,366.62
E&E BAD DEBT	£99.04
E&E REVENUE DEBT	£14,474.96
ELS REVENUE DEBT	£10,954.10
FSC REVENUE DEBT	£18,342.18
WO/WRITEBACK REVERSAL	(£1,052.87)
Grand Total	£59,354.91

SOCIAL CARE DEBT

24. 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 2013/14.

ANALYSIS OF CLIENT RELATED DEBT

25. As at the billing run on 9 December 2014 the overall client related social care debt stood at £18,843k. This debt can be broken down as follows:

Debt Type	£'000
Residential	£16,331
Non-Residential	£2,512
Total	£18,843

26. Of the £18,843K, £4,638K relates to the latest billing run and is therefore not yet due. This leaves £14,205K regarded as due debt.
27. The £18,843K can be broken down between secured and unsecured debt as follows:

Credit Status	£'000
Health	£14
Secured	£8,020
Unsecured	£10,809
Total	£18,843

AGED ANALYSIS OF CLIENT RELATED DEBT

28. 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	£2,673	£1,171	£2,730	£6,524

NUMBERS OF UNSECURED DEBTORS

29. There are currently 11,238 debtors with an unsecured debt or credit on their account. This figure includes both due and not yet due debts – which total £10,809K.

SOCIAL CARE DEBT MOVEMENTS

30. With effect from April 2014, social care debt is reported in terms of the new localities. The table below shows all due debt across all of the new localities. It also includes all types of debt.

Total Debt (due and not yet due, secured and unsecured)

Total Debt Locality	09-Dec-14 Total Debt £'000	29-Apr-14 Total Debt £'000	Change Since 29/04/2014 £'000
Dartford Gravesham Swanley and Swale	4,219	4,586	-367
West Kent	5,067	5,682	-614
Ashford and Canterbury	3,464	3,424	40
Thanet and South Kent Coastal	4,851	4,526	324
East Kent LD	666	704	-38
West Kent LD	368	289	79
Mental Health	203	144	59
Corporate	5	5	1
Total	18,843	19,360	-516

31. The table below shows the unsecured overdue debt, which is the "highest" risk debt.

Overdue Debt (unsecured)

Unsecured Overdue Debt - All Localities				
Locality	09-Dec-14 Total Debt £'000	11-Nov-14 Total Debt £'000	29-Apr-14 Total Debt £'000	Change Since 29/04/2014 £'000
Dartford Gravesham Swanley and Swale	1,506	1,593	1,500	6
West Kent	1,753	1,731	1,643	110
Ashford and Canterbury	1,015	962	1,113	-98
Thanet and South Kent Coastal	1,787	1,739	1,632	155
East Kent LD	186	197	195	-9
West Kent LD	118	137	83	36
Mental Health	157	111	103	54
Corporate	3	3	3	1
Total	6,522	6,540	6,272	253

- 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

32. As at 9 December 2014, £357,827.01 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

33. Total Sundry Debt has decreased from £26.2million to £13.3 million since the last Governance and Audit report. The overdue element of the debt has actually reduced from £15.2 million to £1.4 million, since the date of the last Governance and Audit report, and this is largely due to old “health” debt being paid prior to the implementation of the CCG’s.
34. Total Social Care debt has decreased from £19.6 million to £18.9 million since the last Governance and Audit report. Unsecured debt has decreased from £10.9 million to £10.8 million. The overdue element of the Social Care debt has increased from £6.4 million to £6.5 million.
35. 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

36. Members are asked to note the content of this report for assurance.

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