

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

To: Governance & Audit Committee – 23 July 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 June 2015, as shown on Oracle Accounts Receivable Business Intelligence Suite, is £75.3m. This represents Social Care debt of £18.1m (10,922 Clients) and Sundry Debt of £57.2m (2,201 Debtors).
4. The sundry debt figures includes Health debt of £47.1m, of which £45.6m is not yet due for payment. Please see paragraph 22 for further details.
5. The total debt reported has increased by £47.1m from the £28.2m reported in the last Governance and Audit report. However, the £28.2m reported to the Governance & Audit Committee in January included £13.3m actually due for payment compared to £11.5m due for payment as at this reporting period.
6. 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-15	30-Apr-14	30-Apr-13	30-Apr-12	30-Apr-11	30-Apr-10	30-Apr-09	30-Apr-08
5%	7%	8%	12%	8%	6%	11%	12%

7. 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 26-34, 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 26 May 2015.
8. The table below is an analysis of the summary position for Sundry debt as at 1 June 2015. As can be seen £45.6m of the £57.2m outstanding is not yet due for payment:

FTC	Directorate	Not Yet Due	AR Overdue 0-60 Amount	AR Overdue 61-181 Amount	AR Overdue 182+ Amount	Total AR Outstanding Amount	Overdue Element
New Directorate	EY	£234,750.99	£398,850.06	£108,386.06	£3,818.09	£745,805.20	£511,054.21
	GT	£686,832.22	£2,063,608.73	£159,929.84	£42,150.93	£2,952,521.72	£2,265,689.50
	SC	£43,391,205.35	£4,729,202.64	£250,510.29	£175,932.20	£48,546,850.48	£5,155,645.13
	ST	£611,375.12	£1,093,704.22	£174,656.41	£86,119.24	£1,965,854.99	£1,354,479.87
Old Directorate	BSS	£70,351.26	£19,148.19	£30,398.20	£138,198.47	£258,096.12	£187,744.86
	C&C	£0.00	£0.00	£0.00	£19,591.11	£19,591.11	£19,591.11
	E&E	£5,807.71	£0.00	£0.00	£47,367.94	£53,175.65	£47,367.94
	ELS	£32,712.84	£2,320.00	£30.00	£25,608.52	£60,671.36	£27,958.52
	FSC	£32,571.46	£100.00	£4,182.81	£373,829.51	£410,683.78	£378,112.32
Other	EDUKENT	£139,137.06	£619,829.21	£31,127.67	£4,408.62	£794,502.56	£655,365.50
	Penalty Notices	£27,180.00	£5,640.00	£4,260.00	£0.00	£37,080.00	£9,900.00
	Property Rents	£414,244.09	£705,008.72	£207,545.89	£3,302.92	£1,330,101.62	£915,857.53
Grand Total		£45,646,168.10	£9,637,411.77	£971,027.17	£920,327.55	£57,174,934.59	£11,528,766.49

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 June 2015, 96.69% of the total sundry outstanding debt was under 60 days old whilst 1.61% was over 6 months old.

DEBT LEVELS OVER SIX MONTHS OF AGE

10. The following tables provide 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	£3,123.09
NULL	£100.00
REFERRED TO DIRECTORATE	£445.00
TOTAL	£3,668.09

There are 42 invoices over 6 months for EY – the Debt Recovery Team is liaising with all invoice requestors to recover the debts.

12. GT – Growth, Environment & Transport

DEBT CATEGORY	AMOUNT OUTSTANDING
ONGOING ACTION	£10,853.82
REFERRED TO DIRECTORATE	£25,890.02
TOTAL	£36,743.84

There are 32 outstanding invoices over 6 months for GT – the Debt Recovery Team is liaising with all invoice requestors to recover the debts.

13. SC – Strategic Commissioning

DEBT CATEGORY	AMOUNT OUTSTANDING
ONGOING ACTION	£17,042.23
HEALTH DEBT – HQ	£11,998.99
HEALTH DEBT SECURED – HQ	£117,909.51
NULL	£654.55
PAYMENT PLAN	£1,405.09
REFERRED FOR WRITE OFF	£1,277.60
REFERRED TO DIRECTORATE	£25,644.23
TOTAL	£175,932.20

There are 29 invoices over 6 months - the Debt Recovery Team is liaising with all invoice requestors to recover the debts. It can be noted that £117.1k of the total debt is secured – leaving £58.8k as unsecured.

14. ST – Strategic & Corporate Services

DEBT CATEGORY	AMOUNT OUTSTANDING
AUTOMATIC WRITE BACK	£148.64
ONGOING ACTION	£56,328.94
HEALTH DEBT – HQ	£399.00
NULL	£1,839.20
PAYMENT PLAN	£9,138.01
REFERRED TO DIRECTORATE	£18,265.45
TOTAL	£86,119.24

There are 59 invoices over 6 months for ST - the Debt Recovery Team is liaising with all invoice requestors to recover the debts.

15. BSS – Business Strategy and Support

DEBT CATEGORY	AMOUNT OUTSTANDING
ONGOING ACTION	£31,248.74
PAYMENT PLAN	£22,612.61
REFERRED FOR WRITE OFF	£15,735.90
REFERRED TO DIRECTORATE	£61,707.76
REFERRED TO LEGAL	£5,706.76
SMALL CLAIMS COURT	£1,216.17
TOTAL	£138,198.47

There are only 54 invoices over 6 months old for BSS - the Debt Recovery Team is liaising with all invoice requestors to recover the debts.

16. C&C – Customers & Community

DEBT CATEGORY	AMOUNT OUTSTANDING
AR SECURED DEBT	£4,111.25
AUTOMATIC WRITEBACK	£1,239.25
ONGOING ACTION	£3,986.94
INSTALMENT - SMALL CLAIMS	£952.00
LIQ'S/INSOLV'S/RCV	£1,547.51
REFERRED TO DIRECTORATE	£7,772.16
TOTAL	£19,591.11

There are 14 invoices over 6 months old for C&C - the Debt Recovery Team is liaising with all invoice requestors to recover the debts.

17. E&E - Environment & Enterprise

DEBT CATEGORY	AMOUNT OUTSTANDING
ONGOING ACTION	£786.45
INSURANCE	£38,396.33
REFERRED FOR WRITE OFF	£5,291.00
REFERRED TO DIRECTORATE	£500.00
REFERRED TO LEGAL	£2,394.16
TOTAL	£47,367.94

The £38.4k tagged as “Insurance” consists of 33 invoices. We are awaiting direction and assistance from the Budget Holder in Growth, Environment and Transport. There are 40 invoices for E&E over 6 months old.

18. ELS – Education, Learning & Skills

DEBT CATEGORY	AMOUNT OUTSTANDING
ONGOING ACTION	£210.00
NULL	£120.00
PAYMENT PLAN	£2,919.30

REFERRED FOR WRITE OFF	£1,290.47
REFERRED TO DIRECTORATE	£1,654.68
SMALL CLAIMS COURT	£19,414.07
TOTAL	£25,608.52

There are 25 invoices for ELS over 6 months old of which £1.7k tagged as “Referred to Directorate” consisting of 10 invoices.

19. FSC - Families and Social Care

DEBT CATEGORY	AMOUNT OUTSTANDING
ONGOING ACTION	£23,523.93
HEALTH DEBT - HQ	£55,317.72
HEALTH DEBT - SECURED - HQ	£42,745.04
LIQ'S/INSOLV'S/RECV	£595.14
NULL	£120.00
PAYMENT PLAN	£38,654.68
REFERRED FOR WRITE OFF	£67,378.59
REFERRED TO DIRECTORATE	£71,309.06
REFERRED TO LEGAL	£44,259.68
SMALL CLAIMS COURT	£29,925.67
TOTAL	£373,829.51

The £71.3k tagged as “Referred to Directorate” consists of 38 Invoices. Of these, the largest invoice for £8.4k is to reclaim costs regarding a Fostering Placement. Payment has not been forthcoming due to a dispute with the invoice value; awaiting outcome.

20. EduKent

DEBT CATEGORY	AMOUNT OUTSTANDING
REFERRED TO DIRECTORATE	£100.00
EDUKENT	£4,308.62
TOTAL	£4,408.62

There are currently 13 invoices over 6 months old for Edu Kent - The £100 refers to 1 invoice over 6 months which is currently with the Directorate for a decision.

SUNDRY HEALTH DEBT

21. The Sundry Health Debt as at 1 June 2015 was identified as being £47.1 million comprising of 109 invoices. This is an increase of £44.2 million when compared to the position reported in January 2015.
22. KCC is responsible for hosting, on behalf of seven Clinical Commissioning Groups, a pooled budget arrangement via a Section 75 for the Better Care Fund. Each Clinical Commissioning group pays a monthly contribution to the authority. The authority then allocates the money according to the plan of expenditure.

23. The Sundry Health debt as at 1 June 2015 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 provided below:

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	£40,712.52	£0.00	£ 399.00	£ 41,111.52
KENT & MEDWAY NHS SOCIAL CARE PARTNERSHIP TRUST	£ 3,723.72	£ 56,911.71	£ 250.00	£100.00	£60,985.43
KENT AND MEDWAY COMMISSIONING SUPPORT	£0.00	£ 450.00	£0.00	£0.00	£450.00
KENT COMMUNITY HEALTH NHS FOUNDATION TRUST	£ 47,292.68	£ 269,646.71	£ 2,520.00	£0.00	£319,459.39
MEDWAY NHS FOUNDATION TRUST	£0.00	£ 11,169.47	£0.00	£0.00	£ 11,169.47
NHS ASHFORD CCG	£ 7,321,000.00	£ 174,525.30	£ 36,097.14	£0.00	£ 7,531,622.44
NHS CANTERBURY & COASTAL CCG	£12,569,528.70	£ 1,556.82	£5,000.00	£0.00	£ 12,576,085.52
NHS DARTFORD, GRAVESHAM, AND SWANLEY CCG	£857.28	£118,045.38	£ 15,245.13	£ 83,268.16	£217,415.95
NHS EASTERN & COASTAL CCG	£0.00	£ 166,489.73	£0.00	£0.00	£ 166,489.73
NHS ENGLAND RE PCT/SHA CLOSURE	£0.00	£0.00	£0.00	£ 42,745.04	£ 42,745.04
NHS KENT & MEDWAY CSU	£0.00	£95,445.00	£0.00	£0.00	£ 95,445.00
NHS MEDWAY CLINICAL COMMISSIONING GROUP	£0.00	£ 107,706.96	£144,521.42	£0.00	£ 252,228.38
NHS SOUTH EAST CSU	£0.00	£ 573.60	£0.00	£0.00	£ 573.60
NHS SOUTH KENT COASTAL CCG	£13,283,000.00	£ 779,907.25	£18,571.96	£ 100,625.44	£ 14,182,104.65
NHS SOUTH LONDON CSU	£0.00	£225,135.52	£0.00	£0.00	£225,135.52
NHS SWALE CCG	£0.00	£ 34,800.27	£ 57,791.22	£ 776.75	£ 93,368.24
NHS THANET CCG	£ 9,765,612.78	£ 1,400,856.59	£0.00	£455.87	£ 11,166,925.24
NHS WEST KENT CCG	£32,072.04	£ 41,001.32	£ 13,937.12	£0.00	£ 87,010.48
Grand Total	£43,023,087.20	£ 3,524,934.15	£ 293,933.99	£ 228,370.26	£ 47,070,325.60

TRENDS

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

	2014-15	2013-14	2012-13	2011-12	2010-11	2009-10
Number of invoices raised	31,465	30,290	28,353	32,029	29,336	30,369
Value of invoices raised	£250,886,916	£246,893,065	£237,392,631	£160,139,056	£176,597,554	£183,961,032

WRITE OFFS

25. 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	£111.00
C&C BAD DEBT	£30.00
C&C REVENUE	£7,167.16
E&E REVENUE	£3,021.33
ELS REVENUE	£392.60
FSC REVENUE	£38,599.01
WRITE OFF/WRITE BACK REVERSAL	(£3,848.56)
GRAND TOTAL	£45,472.54

SOCIAL CARE DEBT

26. Client Charging

- (i) Clients are financially assessed to determine their contribution towards either their residential or non-residential care costs in accordance with the Care Act – Care and Support Charging & Assessment of Resources Regulations 2014.
- (ii) In 2014/2015 the total amount of income charged to clients through the client billing system was £60,208,842.16. This is a decrease of nearly £7m compared to the previous financial year, and a reduction of 1,657 debtors. The average amount billed on each invoice run is £4,631k.
- (iii) The decrease in debtors is due to the increase in client's receiving a Direct Payment to pay for their care. As the Direct Payment is paid net of the client contribution an invoice is not generated.

ANALYSIS OF CLIENT RELATED DEBT

27. As at the billing run on 26 May 2015 the overall client related social care debt stood at £18.2m.

This debt can be broken down as follows:

Debt Type	£'000
Residential	£15,668
Non-Residential	£2,579
Total	£18,247

28. Of the £18.2m (10,921 debtors), £4,390k relates to the latest billing run and is therefore not yet due.

29. The £18.2m can be broken down between secured and unsecured debt as follows:

Credit Status	£'000
Caution/Restriction	£51
Health	£11
Secured	£7,234
Unsecured Ongoing	£9,009
Unsecured Deceased/Terminated	£1,942
Grand Total	£18,247

AGED ANALYSIS OF CLIENT RELATED DEBT

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

	Under Six Months £'000	Six Months to a Year £'000	Over One Year £'000	Total Overdue £'000
Unsecured Debt				
Total	£2,633	£1,132	£3,079	£6,844

NUMBERS OF UNSECURED DEBTORS

31. There are currently 10,701 debtors with an unsecured debt or credit on their account. This figure includes both due and not yet due debts – which total £11,003k.

SOCIAL CARE DEBT MOVEMENTS

32. The following table shows all due debt across the localities. It also includes all types of debt:

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

Total Debt	26-May-15 Total Debt £'000	9-Dec-14 Total Debt £'000	29-Apr-14 Total Debt £'000	Change Since 29-Apr-14 £'000
Dartford Gravesham Swanley & Swale	£4,294	£4,219	£4,586	£-292
West Kent	£4,880	£5,067	£5,682	£-802
Ashford and Canterbury	£3,245	£3,464	£3,424	£-179
Thanet & South Kent Coastal	£4,523	£4,851	£4,526	£-3
East Kent LD	£738	£666	£704	£34
West Kent LD	£392	£368	£289	£103
Mental Health	£175	£203	£144	£31
Corporate	£0	£5	£5	£-5
Total	£18,247	£18,843	£19,360	£-1,113

33. The table below shows unsecured overdue debt, which is the “highest” risk debt:

Overdue Debt (unsecured)

Unsecured Overdue Debt - All Localities				
Locality	26-May-15 Total Debt £'000	09-Dec-14 Total Debt £'000	29-Apr-14 Total Debt £'000	Change Since 29-Apr-14 £'000
Dartford Gravesham Swanley & Swale	£1,557	£1,506	£1,500	£57
West Kent	£1,956	£1,753	£1,643	£313
Ashford and Canterbury	£1,056	£1,015	£1,113	£-57
Thanet & South Kent Coastal	£1,861	£1,787	£1,632	£229
East Kent LD	£206	£186	£195	£11
West Kent LD	£96	£118	£83	£13
Mental Health	£112	£157	£103	£9
Corporate	£0	£3	£3	£-3
Total	£6,844	£6,525	£6,272	£572

WRITE OFFS

34. As at 1 June 2015, £223,384.40 in Social Care write offs had been processed in ORACLE since 1 April 2015. Write offs processed in previous years are as follows:

Social Care Write Offs	
Year	Amount
2014 - 2015	£591,798.22
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

35. Total Sundry Debt has increased from £13.3m to £57.2m since the last Governance and Audit report. This is largely due to Kent hosting the budget arrangement for the Better Care Fund as explained in section 22 of this report.
36. Total Social Care debt has decreased from £18.9m to £18.2m since the last Governance and Audit report. Unsecured debt has increased from £10.8m to £10.9m. The overdue unsecured element of the Social Care debt has increased from £6.5m to £6.8m.

37. 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”. Audit will shortly commence a further audit as a follow up measure.

RECOMMENDATION

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

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