

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

To: Governance & Audit Committee – 27 January 2016

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 2015, as shown on Oracle Accounts Receivable Business Intelligence Suite, is £49.7m. This represents Social Care debt of £17.1m (11,279 Clients) and Sundry Debt of £32.6m (3,035 Debtors).
4. The sundry debt figures includes invoices raised to the Clinical Commissioning Groups amounting to £20.8m, of which £16.3m is not yet due for payment. Please see paragraph 22 for further details.
5. The total debt reported has decreased by £25.6m from the £75.3m reported in the last Governance and Audit report. However, the £75.3m reported to the Governance & Audit Committee in July included £25.1m actually due for payment compared to £22.2m 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 10 November 2015.
8. The table below is an analysis of the summary position for Sundry debt as at 1 December 2015. As can be seen £21.8m of the £32.6m 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	£664,170.12	£207,863.49	£16,548.40	£44,071.91	£932,653.92	£268,483.80
	GT	£1,255,179.33	£2,762,379.38	£152,328.93	£271,347.37	£4,441,235.01	£3,186,055.68
	SC	£18,664,549.81	£1,859,061.20	£1,016,155.58	£2,220,263.93	£23,760,030.52	£5,095,480.71
	ST	£469,550.44	£468,515.07	£84,782.60	£349,848.92	£1,372,697.03	£903,146.59
Old Directorate	BSS	£63,712.55	£24,460.88	£5,999.10	£76,740.39	£170,912.92	£107,200.37
	C&C	£0.00	£0.00	£0.00	£14,628.45	£14,628.45	£14,628.45
	E&E	£4,323.11	£1,254.60	£0.00	£20,471.66	£26,049.37	£21,726.26
	ELS	£24,563.88	£0.00	£30.00	£18,933.76	£43,527.64	£18,963.76
	FSC	£27,726.22	£0.00	£51.69	£202,980.47	£230,758.38	£203,032.16
Other	EDUKENT	£239,641.72	£115,975.79	£465,904.70	£36,756.31	£858,278.52	£618,636.80
	Penalty Notices	£33,420.00	£36,119.40	£45,260.00	£9,660.00	£124,459.40	£91,039.40
	Property Rents	£394,260.17	£66,510.06	£156,271.37	£19,971.74	£637,013.34	£242,753.17
Grand Total		£21,841,097.35	£5,542,139.87	£1,943,332.37	£3,285,674.91	£32,612,244.50	£10,771,147.15

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 15%

As at 1 December 2015, 83.97% of the total sundry outstanding debt was under 60 days old whilst 10.07% 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	£39,309.64
HEALTH DEBT - HQ	£50.00
REFERRED FOR WRITE OFF	£530.00
REFERRED TO DIRECTORATE	£4,182.27
TOTAL	£44,071.91

There are 95 invoices over 6 months for EY – the Debt Recovery Team is liaising with all invoice requestors to recover the debts. The largest invoice is for the sum of £16,797.04 regarding a recharge to Westminster City Council – the debt is being chased by the Directorate directly.

12. GT – Growth, Environment & Transport

DEBT CATEGORY	AMOUNT OUTSTANDING
ONGOING ACTION	£77,394.95
HEALTH DEBT - HQ	£250.00
INSURANCE	£7,274.71
LIQ'S/INSOLV'S/RECV	£674.40
PAID TO CS IN ERROR	£75.00
PAYMENT PLAN	£1,307.52
REFERRED FOR WRITE OFF	£4,454.70
REFERRED TO DIRECTORATE	£179,916.09
TOTAL	£271,347.37

There are 101 outstanding invoices over 6 months for GT – the Debt Recovery Team is liaising with all invoice requestors to recover the debts. The largest invoice is for the sum of £133,956.38 regarding a waste management contract. An instalment plan is in place which is being formalised by Legal Services.

13. SC – Strategic Commissioning

DEBT CATEGORY	AMOUNT OUTSTANDING
ONGOING ACTION	£253,488.88
HEALTH DEBT - HQ	£293,607.76
HEALTH DEBT - SECURED - HQ	£1,311,660.95
INSTALMENTS	£675.20
PAYMENT PLAN	£2,942.19
REFERRED FOR WRITE OFF	£9,306.95
REFERRED TO DIRECTORATE	£348,582.00
TOTAL	£2,220,263.93

There are 74 invoices over 6 months - the Debt Recovery Team is liaising with all invoice requestors to recover the debts. It can be noted that £1.3m of the total debt is secured – leaving £909k as unsecured. The largest invoice was for the sum of £696,797.25 outstanding from NHS Thanet CCG regarding Westbrook House Integrated Care Centre.

14. ST – Strategic & Corporate Services

DEBT CATEGORY	AMOUNT OUTSTANDING
ONGOING ACTION	£290,360.44
HEALTH DEBT - HQ	£82.50
INSTALMENTS	£944.38
PAYMENT PLAN	£9,952.49
REFERRED FOR WRITE OFF	£274.32
REFERRED TO DIRECTORATE	£48,234.79
TOTAL	£349,848.92

There are 132 invoices over 6 months for ST - the Debt Recovery Team is liaising with all invoice requestors to recover the debts. The largest invoice is for the sum of £85,778.58 regarding support provided by KCC following a Human Rights Assessment. The Debt Recovery team are currently awaiting the purchase order number from the requester.

15. BSS – Business Strategy and Support

DEBT CATEGORY	AMOUNT OUTSTANDING
ONGOING ACTION	£29,949.16
INSTALMENTS	£994.54
INTERNAL	-£30.00
PAYMENT PLAN	£22,022.00
REFERRED FOR WRITE OFF	£13,264.94
REFERRED TO DIRECTORATE	£9,428.05
SMALL CLAIMS COURT	£1,111.70
TOTAL	£76,740.39

There are 51 invoices over 6 months old for BSS - the Debt Recovery Team is liaising with all invoice requestors to recover the debts. The largest invoice is for the sum of £14,521.54 regarding several services provided to Commercial Services Kent LTD. The Debt Recovery team continue to liaise with debtor to resolve the dispute.

16. C&C – Customers & Community

DEBT CATEGORY	AMOUNT OUTSTANDING
ONGOING ACTION	£1,428.90
INSTALMENT - SMALL CLAIMS	£832.00
LIQ'S/INSOLV'S/RECV	£1,527.81
REFERRED FOR WRITE OFF	£4,111.25
REFERRED TO DIRECTORATE	£6,728.49
TOTAL	£14,628.45

There are 11 invoices over 6 months old for C&C - the Debt Recovery Team is liaising with all invoice requestors to recover the debts. The largest invoice is for the sum of £4,111.25 which relates to work undertaken in order to ensure the safety of fuel tanks located at a garage where the owner had absconded. Legal action is currently being considered.

17. E&E - Environment & Enterprise

DEBT CATEGORY	AMOUNT OUTSTANDING
INSURANCE	£19,801.66
REFERRED FOR WRITE OFF	£670.00
TOTAL	£20,471.66

There are 17 invoices for E&E over 6 months old. The largest invoice is for £9,530.08 regarding an insurance claim for repairs to a bridge – the insurance team are chasing for the payment of this invoice directly. The £19.8k tagged as “Insurance” consists of 15 invoices. Debt Recovery are awaiting direction and assistance from the Budget Holder in Growth, Environment and Transport in relation to these invoices.

18. ELS – Education, Learning & Skills

DEBT CATEGORY	AMOUNT OUTSTANDING
ONGOING ACTION	£120.00
INSTALMENT - SMALL CLAIMS	£2,320.00
PAYMENT PLAN	£1,664.76
REFERRED FOR WO	£1,948.27
REFERRED TO DIRECTORATE	£620.72
SMALL CLAIMS COURT	£12,260.01
TOTAL	£18,933.76

There are 19 invoices for ELS over 6 months old. The largest invoice is for the sum of £12,260.01 regarding a Direct Payment overpayment – a court judgement has now been obtained and Debt Recovery will be visiting the debtor.

19. FSC - Families and Social Care

DEBT CATEGORY	AMOUNT OUTSTANDING
ONGOING ACTION	£21,162.51
INSTALMENTS	£136.69
LIQ'S/INSOLV'S/RECV	£595.14
ON HOLD	£480.20
PAYMENT PLAN	£31,080.28
REFERRED FOR WRITE OFF	£36,400.73
REFERRED TO DIRECTORATE	£81,333.23
REFERRED TO LEGAL	£13,447.09
SMALL CLAIMS COURT	£18,344.60
TOTAL	£202,980.47

The £81.3k tagged as “Referred to Directorate” consists of 35 Invoices. Of these, the largest invoice for £11.5k is to reclaim costs regarding a Direct Payment. Payments of £10 are being made on a monthly basis.

20. EduKent

DEBT CATEGORY	AMOUNT OUTSTANDING
EDUKENT	£36,756.31
TOTAL	£36,756.31

There are currently 5 invoices over 6 months old for Edu Kent.

SUNDRY HEALTH DEBT

21. The Sundry Health Debt as at 1 December 2015 was identified as being £20.8 million comprising of 186 invoices. This is a decrease of £26.3 million when compared to the position reported in June 2015 and is due to instalment payments being made in respect of the Better Care Fund invoices.
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 following table provides an analysis by debtor of Sundry Health debt as at 1 December 2015.

Customer Name	Not Yet Due	Overdue 0-60 Amount	Overdue 61-181 Amount	Overdue 182+ Amount	Total Outstanding Amount
EAST KENT HOSPITALS UNIVERSITY NHS FOUNDATION TRUST	£0.00	£100.00	£0.00	£0.00	£100.00
KENT & MEDWAY NHS SOCIAL CARE PARTNERSHIP TRUST	£50,794.42	£77,122.00	£3,818.00	£432.50	£132,166.92
KENT AND MEDWAY NHS SCPT T/AS KENT AND MEDWAY CFE M E SERVICES	£0.00	£0.00	£70.00	£0.00	£70.00
KENT COMMUNITY HEALTH NHS FOUNDATION TRUST	£12,495.72	£200,412.78	£851.58	£218,421.94	£432,182.02
LONDON PORT HEALTH AUTHORITY	£8,588.16	£0.00	£0.00	£0.00	£8,588.16
MAIDSTONE & TUNBRIDGE WELLS NHS TRUST	£2,066.20	£100.00	£0.00	£0.00	£2,166.20
NHS ASHFORD CCG	£2,574,581.57	£165,273.15	£62,206.09	£138,903.67	£2,940,964.48
NHS CANTERBURY & COASTAL CCG	£4,544,669.81	£264,968.69	£60,881.35	£6,556.82	£4,877,076.67
NHS COMMISSIONING BOARD	£90,250.00	£0.00	£0.00	£0.00	£90,250.00
NHS DARTFORD, GRAVESHAM, AND SWANLEY CCG	£321,817.11	£62,735.03	£27,167.52	£100,293.93	£512,013.59
NHS EASTERN & COASTAL CCG	£0.00	£20,665.10	£0.00	£166,489.73	£187,154.83
NHS EASTERN & COASTAL KENT COMMUNITY SERVICES	£0.00	£150.00	£215.00	£0.00	£365.00
NHS MEDWAY CLINICAL COMMISSIONING GROUP	£0.00	£0.00	£0.00	£153,878.10	£153,878.10
NHS SOUTH EAST CSU	£24,165.16	£115.00	£0.00	£0.00	£24,280.16
NHS SOUTH KENT COASTAL CCG	£4,779,376.05	£20,450.26	£50,693.19	£48,005.21	£4,898,524.71
NHS SWALE CCG	£132,228.80	£198,430.46	£20,056.62	£46,641.50	£397,357.38
NHS THANET CCG	£3,397,202.27	£574,290.58	£657,335.10	£1,043,274.00	£5,672,101.95
NHS WEST KENT CCG	£349,338.61	£50,253.74	£6,475.92	£28,570.79	£434,639.06
PUBLIC HEALTH ENGLAND	£0.00	£3,150.00	£0.00	£0.00	£3,150.00
SUSSEX PARTNERSHIP NHS FOUNDATION TRUST	£0.00	£707.60	£0.00	£0.00	£707.60
SUSSEX PARTNERSHIP-NHS FOUNDATION TRUST-KENT CAMHS	£498.00	£550.00	£0.00	£0.00	£1,048.00
THE JOHN TOWNSEND TRUST	£50.00	£200.00	£0.00	£0.00	£250.00
THE TAVISTOCK AND PORTMAN NHS FOUNDATION TRUST	£0.00	£5,556.10	£0.00	£0.00	£5,556.10
WORCESTERSHIRE HEALTH AND CARE NHS TRUST	£0.00	£363.15	£0.00	£0.00	£363.15
Grand Total	£16,288,121.88	£1,645,593.64	£889,770.37	£1,951,468.19	£20,774,954.08

TRENDS

24. The numbers and values of invoices raised through Accounts Receivable 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 from 1 April 2015 to 1 December in relation to Sundry debts.

DIRECTORATE	TOTAL WRITE OFFS
BSS REVENUE	£2,564.18
C&C REVENUE	£1,720.82
E&E REVENUE	£5,759.50
ELS REVENUE	£1,471.55
FSC REVENUE	£35,297.28
WRITE OFF/WRITE BACK REVERSAL	(£3,366.86)
GRAND TOTAL	£43,446.47

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 10 November 2015 the overall client related social care debt stood at £17.1m.

This debt can be broken down as follows:

Debt Type	£'000
Residential	£14,522
Non-Residential	£2,625
Total	£17,147

28. Of the £17.1m (11,279 debtors), £4,597k relates to the latest billing run and is therefore not yet due.
29. The £17.1m can be broken down between secured and unsecured debt as follows:

Credit Status	£'000
Caution/Restriction	£59
Secured	£6,152
Unsecured Ongoing	£9,094
Unsecured Deceased/Terminated	£1,842
Grand Total (Including Not Yet Due)	£17,147

AGED ANALYSIS OF CLIENT RELATED DEBT

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

Unsecured Debt	Under Six Months £'000	Six Months to a Year £'000	Over One Year £'000	Total Overdue £'000
Total	£2,705	£1,029	£2,911	£6,645

NUMBERS OF UNSECURED DEBTORS

31. There are currently 11,091 debtors with an unsecured debt or credit on their account. This figure includes both due and not yet due debts – which total £10,995k.

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	10-Nov-15 Total Debt £'000	26-May-15 Total Debt £'000	29-Apr-14 Total Debt £'000	Change Since 29-Apr-14 £'000
Dartford Gravesham Swanley & Swale	£4,061	£4,294	£4,586	£-525
West Kent	£4,316	£4,880	£5,682	£-1,366
Ashford and Canterbury	£3,041	£3,245	£3,424	£-383
Thanet & South Kent Coastal	£4,479	£4,523	£4,526	£-47
East Kent LD	£679	£738	£704	£-25
West Kent LD	£380	£392	£289	£91
Mental Health	£190	£175	£144	£46
Corporate	£1	£0	£5	£-4
Total	£17,147	£18,843	£19,360	£-2,213

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

Overdue Debt (unsecured)

Unsecured Overdue Debt - All Localities				
Locality	10-Nov-15 Total Debt £'000	26-May-15 Total Debt £'000	29-Apr-14 Total Debt £'000	Change Since 29-Apr-14 £'000
Dartford Gravesham Swanley & Swale	£1,485	£1,557	£1,500	£-15
West Kent	£1,780	£1,956	£1,643	£137
Ashford and Canterbury	£1,049	£1,056	£1,113	£-64
Thanet & South Kent Coastal	£1,801	£1,861	£1,632	£169
East Kent LD	£261	£206	£195	£66
West Kent LD	£128	£96	£83	£45
Mental Health	£141	£112	£103	£38
Corporate	£0	£0	£3	£-3
Total	£6,645	£6,844	£6,272	£373

WRITE OFFS

34. As at 1 December 2015, £541,979.36 in Social Care write offs had been processed in ORACLE since 1 April 2015. Write offs processed in previous years are as follows. Please note that the sum written off for the year 2014 – 2015 has previously been reported incorrectly. This was due to data being reported on a calendar basis rather than a fiscal one on the Oracle Business Intelligence system. The error has now been corrected and the correct data is shown below.

Social Care Write Offs	
Year	Amount
2014 - 2015	£472,066.50
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 decreased from £57.2m to £32.6m since the last Governance and Audit report. This is largely due to changes in the way that Kent hosts the budget arrangement for the Better Care Fund as explained in section 22 of this report.
36. Total Social Care debt including not yet due has decreased from £18.2m to £17.1m since the last Governance and Audit report of this figure the unsecured element has reduced by £20k.
37. The most recent Debt Recovery Internal Audit report dated 21 September 2015 gave an "Adequate" opinion with good prospects for improvement. Audit will commence a further audit as a follow up measure in due course.

RECOMMENDATION

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

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15 December 2015