

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

To: Governance & Audit Committee – 25 January 2017

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 2016, as shown on Oracle Accounts Receivable Business Intelligence Suite, is £32.3m. This represents Social Care debt of £13m (3,935 Clients) and Sundry Debt of £19.3m (2,694 Debtors).
4. The sundry debt figures includes invoices raised to the Clinical Commissioning Groups amounting to £3.9m, of which £895k is not yet due for payment. Please see paragraph 22 for further details.
5. The total debt reported has decreased by £1.5m from the £33.8m reported in the last Governance and Audit report.
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:

Sundry Debt over 6 month percentages

30-Apr-16	30-Apr-15	30-Apr-14	30-Apr-13	30-Apr-12	30-Apr-11	30-Apr-10	30-Apr-09
1,938,887.34	819,031.59	1,112,016.2	1,646,787.35	2,184,398.19	1,672,564.69	1,323,090.01	2,134,991.75
11%	5%	7%	8%	12%	8%	6%	11%

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 8 November 2016.
8. The table below is an analysis of the summary position for Sundry debt as at 1 December 2016. As can be seen £7.3m of the £19.3m outstanding is not yet due for payment:

Sundry Debt Values by Directorate

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	£316,107.11	£956,532.01	£74,357.98	£30,750.62	£1,377,747.72	£1,061,640.61
	GT	£3,877,193.06	£2,393,005.06	£504,700.36	£720,941.56	£7,495,840.04	£3,618,646.98
	SC	£1,069,770.55	£752,417.55	£1,152,955.79	£853,012.53	£3,828,156.42	£2,758,385.87
	ST	£1,034,780.69	£927,412.32	£1,235,529.89	£177,561.68	£3,375,284.58	£2,340,503.89
Old Directorate	BSS	£369,506.50	£11,607.01	£7,264.57	£43,668.44	£432,046.52	£62,540.02
	C&C	£1,416.45	£0.00	£0.00	£2,415.05	£3,831.50	£2,415.05
	E&E	£4,023.11	£0.00	£0.00	£14,112.46	£18,135.57	£14,112.46
	ELS	£31,811.36	£0.00	£0.00	£1,803.66	£33,615.02	£1,803.66
	FSC	£31,075.52	£85.00	£3,583.66	£144,370.51	£179,114.69	£148,039.17
Other	CASHIER MISC INCOME	£240.00	£0.00	£0.00	£0.00	£240.00	£0.00
	EDUKENT	£175,388.97	£1,266,005.23	£90,428.80	£13,276.40	£1,545,099.40	£1,369,710.43
	GEN2 Property	£0.00	£13,300.44	£0.00	£0.00	£13,300.44	£13,300.44
	Penalty Notices	£14,892.00	£19,560.00	£27,249.00	£7,080.00	£68,781.00	£53,889.00
	Property Rents	£370,828.40	£109,651.32	£436,846.63	£26,954.91	£944,281.26	£573,452.86
Grand Total		£7,297,033.72	£6,449,575.94	£3,532,916.68	£2,035,947.82	£19,315,474.16	£12,018,440.44

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 2016, 71.2% (£13.7m) of the total sundry outstanding debt was under 60 days old whilst 10.5% (£2.06m) was over 6 months old. The reasons for the first KPI not being met are as follows:

- One invoice with a value of £650,000 is in dispute – the matter has been referred back to the Directorate for resolution. The Director is taking forward with the Board of Education.

- Five invoices for one particular debtor remain outstanding with a total value of £606k. The matter has been referred to the invoice requestor in the Directorate, who has confirmed she will be meeting with the debtor before escalating the matter with Senior Managers.
- Five invoices owed by 3 different health organisations remain outstanding with a total value of £902k. Debt Recovery are currently liaising with the individual trusts to resolve before referring to the invoice requestor in the Directorate.

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
EDUKENT	£306.00
ONGOING ACTION	£4,420.60
INSTALMENTS	£166.80
LIQ'S/INSOLV'S/RECV	£675.30
OTHER	£5,992.50
ON HOLD	£100
REFERRED FOR WRITE OFF	£4,717.79
REFERRED TO DIRECTORATE	£4,678.38
UNSECURED	£9,693.25
TOTAL	£30,750.62

There are 109 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 £4,000 regarding education charges for St Andrews – the debt is being chased by the Directorate directly.

12. GT – Growth, Environment & Transport

DEBT CATEGORY	AMOUNT OUTSTANDING
ONGOING ACTION	£27,113.51
INSTALMENTS	£75,022.74
INSURANCE	£3,970.01
OTHER	£48,811.37
ON HOLD	£520,695.00
REFERRED FOR WRITE OFF	£5,829.85
REFERRED TO DIRECTORATE	£12,762.35
UNSECURED	£26,736.73
TOTAL	£720,941.56

There are 359 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 £303,050.00 regarding developer contribution towards

A28 Chart road. This invoice is subject to a 6 week judicial review in January and once completed the debtor will be obligated to pay the invoice in full.

13. SC – Strategic Commissioning

DEBT CATEGORY	AMOUNT OUTSTANDING
ONGOING ACTION	£56,197.52
INSTALMENTS	£2,378.13
OTHER	£3,249.15
ON HOLD	£780.66
PAYMENT PLAN	£12,600.68
REFERRED FOR WRITE OFF	£18,981.90
REFERRED TO DIRECTORATE	£357,705.58
REFERRED TO LEGAL	£66,444.56
UNSECURED	£334,674.35
TOTAL	£853,012.53

There are 163 invoices over 6 months - the Debt Recovery Team is liaising with all invoice requestors to recover the debts. It can be noted that £239k of the total debt is secured – leaving £593k as unsecured. The largest invoice is for the sum of £181,803.24 outstanding from KCH NHS Foundation Trust regarding the Active care scheme. The Director is involved in the resolution of this debt.

14. ST – Strategic & Corporate Services

DEBT CATEGORY	AMOUNT OUTSTANDING
ONGOING ACTION	£50,255.96
INSTALMENTS	£167.00
LIQ'S/INSOLV'S/RECV	£424.25
OTHER	£50.00
ON HOLD	£7,505.97
PAYMENT PLAN	£13,498.27
REFERRED FOR WRITE OFF	£4,220.53
REFERRED TO DIRECTORATE	£44,855.75
UNSECURED	£56,583.95
TOTAL	£177,561.68

There are 128 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 £13,316.41 regarding an over payment of salary. The Debt Recovery team are currently trying to make contact with the debtor to obtain payment.

15. BSS – Business Strategy and Support

DEBT CATEGORY	AMOUNT OUTSTANDING
ONGOING ACTION	£4,492.00
INTERNAL	£-30.00
PAYMENT PLAN	£11,070.40
REFERRED FOR WRITE OFF	£14,459.11
REFERRED TO DIRECTORATE	£2,996.68
UNSECURED	£10,680.25
TOTAL	£43,668.44

There are 43 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 £8,750 regarding a duplicate payment made to The Milkmaid & Pail LLP. The former Budget Holder agreed to write off the debt and this is currently in progress.

16. C&C – Customers & Community

DEBT CATEGORY	AMOUNT OUTSTANDING
INSTALMENT - SMALL CLAIMS	£612.00
LIQ'S/INSOLV'S/RECV	£1,478.75
REFERRED FOR WRITE OFF	£324.30
TOTAL	£2,415.05

There are 3 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 £1,478.75 which relates to a salary overpayment. The Debtor is subject to an IVA and small payments towards the debt are being received.

17. E&E - Environment & Enterprise

DEBT CATEGORY	AMOUNT OUTSTANDING
REFERRED FOR WRITE OFF	£2,246.40
REFERRED TO DIRECTORATE	£11,866.06
TOTAL	£14,112.46

There are 6 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.

18. ELS – Education, Learning & Skills

DEBT CATEGORY	AMOUNT OUTSTANDING
PAYMENT PLAN	£190.80
REFERRED FOR WRITE OFF	£1,003.96
UNSECURED	£608.90
TOTAL	£1,803.66

There are 5 invoices for ELS over 6 months old. The largest invoice is for the sum of £843.96 regarding a salary overpayment. The Debt Recovery team are currently seeking authorisation for write off.

19. FSC - Families and Social Care

DEBT CATEGORY	AMOUNT OUTSTANDING
ONGOING ACTION	£208.28
INSTALMENTS	£1,271.14
LIQ'S/INSOLV'S/RECV	£1,067.53
OTHER	£120.00
ONHOLD	£2,867.58
PARKED TERMINATED	£115.48
PAYMENT PLAN	£30,635.98
REFERRED FOR WRITE OFF	£23,366.00
REFERRED TO DIRECTORATE	£30,696.99
REFERRED TO LEGAL	£17,311.65
SMALL CLAIMS COURT	£14,041.01
UNSECURED	£22,668.87
TOTAL	£144,370.51

The £30.6k tagged as “Referred to Directorate” consists of 18 Invoices. Of these, the largest invoice for £5.7k is to reclaim a payment made to a provider in error. The remaining balance is currently in dispute and the directorate is liaising with the debtor to resolve.

20. EduKent

DEBT CATEGORY	AMOUNT OUTSTANDING
EDUKENT	£13,276.40
TOTAL	£13,276.40

There are currently 8 invoices over 6 months old for Edu Kent. Edu Kent are responsible for the recovery of their own debts.

SUNDRY HEALTH DEBT

21. The Sundry Health Debt as at 1 December 2016 was identified as being £3.9million comprising of 294 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 2016:

Analysis of Health Debt as at 1 December 2016

Customer Name	Not Yet Due	Overdue 0-60 Amount	Overdue 61-181 Amount	Overdue 182+ Amount	Total Outstanding Amount
DOWNSWAY MEDICAL CENTRE	80.00	125.30	0.00	0.00	205.30
EAST KENT HOSPITALS UNIVERSITY NHS FOUNDATION TRUST	13,962.36	20,955.73	0.00	0.00	34,918.09
HEALTH EDUCATION ENGLAND	75,000.00	45,150.00	0.00	0.00	120,150.00
KENT & MEDWAY NHS SOCIAL CARE PARTNERSHIP TRUST	69,668.73	111,138.96	55,434.22	300.00	236,541.91
KENT AND MEDWAY NHS SCPT T/AS KENT AND MEDWAY CFE M E SERVICES	0.00	0.00	0.00	154.00	154.00
KENT COMMUNITY HEALTH NHS FOUNDATION TRUST	35,066.61	9,454.99	200.00	218,471.94	263,193.54
MAIDSTONE & TUNBRIDGE WELLS NHS TRUST	0.00	600.00	0.00	0.00	600.00
MEDWAY COMMUNITY HEALTHCARE / NHS	0.00	0.00	410.00	0.00	410.00
NHS ASHFORD CCG	25,015.48	15,588.11	471,769.39	173,964.23	686,337.21
NHS CANTERBURY & COASTAL CCG	77,113.62	306,896.69	5,840.57	6,175.00	396,025.88
NHS DARTFORD, GRAVESHAM, AND SWANLEY CCG	29,228.93	118,965.93	28,674.67	50,498.64	227,368.17
NHS EASTERN & COASTAL KENT COMMUNITY SERVICES	0.00	0.00	0.00	365.00	365.00
NHS MEDWAY CLINICAL COMMISSIONING GROUP	0.00	6,100.15	0.00	137,850.90	143,951.05
NHS PROPERTY SERVICES LTD#RENT	0.00	0.00	1,415.23	0.00	1,415.23
NHS SOUTH KENT COASTAL CCG	131,748.07	33,692.63	0.00	29,415.83	194,856.53
NHS SWALE CCG	39,882.20	284,696.83	127,881.09	3,181.97	455,642.09
NHS THANET CCG	120,061.08	21,369.37	11,318.87	0.00	152,749.32
NHS THANET TRADESHIFT CCG	0.00	0.00	218,259.81	0.00	218,259.81
NHS WEST KENT CCG	277,739.85	136,644.77	21,897.85	2,428.79	438,711.26
NHS WEST KENT CCG#GEN2	0.00	5,247.60	0.00	0.00	5,247.60
SUSSEX PARTNERSHIP NHS FOUNDATION TRUST	0.00	0.00	321,967.74	0.00	321,967.74
Grand Total	894,566.93	1,116,627.06	1,265,069.44	622,806.30	3,899,069.73

TRENDS

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

Number and Value of Invoices Trends

	2015-16	2014-15	2013-14	2012-13	2011-12	2010-11
Number of invoices raised	35,010	31,465	30,290	28,353	32,029	29,336
Value of invoices raised	£280,859,263	£250,886,916	£246,893,065	£237,392,631	£160,139,056	£176,597,554

WRITE OFFS

25. The table below shows the sum written off from 1 April 2016 to 1 December 2016 in relation to sundry debts:

Sundry Write Off Analysis by Directorate

DIRECTORATE	TOTAL
BSS REVENUE DEBT	£1,648.39
C&C BAD DEBT	£510.00
C&C REVENUE DEBT	£2,701.12
E&E REVENUE DEBT	£4,458.47
ELS BAD DEBT	£50.00
ELS REVENUE DEBT	£917.80
FSC BAD DEBT	£640.08
FSC REVENUE DEBT	£35,423.25
TOTAL	£46,349.11

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 2015/2016 the total amount of income charged to clients through the client billing system was £59,125,763.10. This is a slight decrease when compared to the previous year. The average amount billed on each invoice run is £4,927k – an increase when compared to the previous year.

ANALYSIS OF CLIENT RELATED DEBT

27. As at the billing run on 8 November 2016 the overall client related social care debt stood at £17,273,724.31.

This debt can be broken down as follows:

Type of Debt Breakdown

Debt Type	£'000
Residential	£14,415
Non-Residential	£2,859
Total	£17,274

28. Of the £17.3m (11,675 debtors), £4.6m relates to the latest billing run and is therefore not yet due.
29. The £17.3m can be broken down between secured and unsecured debt as follows:

Social Care Credit Status (Total)

Credit Status	£'000
Caution/Restriction	£124
Secured	£5,712
Unsecured Ongoing	£9,742
Unsecured Deceased/Terminated	£1,696
Grand Total (Including Not Yet Due)	£17,274

AGED ANALYSIS OF CLIENT RELATED DEBT

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

Unsecured Debt Breakdown by Age

	Under Six Months £'000	Six Months to a Year £'000	Over One Year £'000	Total Overdue £'000
Unsecured Debt				
Total	£2,443	£1,280	£3,473	£7,196

NUMBERS OF UNSECURED DEBTORS

31. There are currently 11,529 debtors with an unsecured debt or credit on their account. This figure includes both due and not yet due debts – which total £11,562k.

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				Change
Locality	08-Nov-16	24-May-16	29-Apr-14	Since
	Total Debt	Total Debt	Total Debt	29-Apr-14
	£'000	£'000	£'000	£'000
Ashford and Canterbury	3,283	3,156	3,424	-141
Corporate	0	0	5	-5
Dartford Gravesham Swanley and Swale	4,189	4,210	4,586	-397
East Kent LD	676	697	704	-28
Mental Health	156	190	144	12
Thanet and South Kent Coastal	4,243	4227	4,526	-283
West Kent	4,323	4341	5,682	-1,359
West Kent LD	403	428	289	114
Total	17,273	17,249	19,360	-2,087

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

Overdue Debt (unsecured)

Unsecured Overdue Debt - All Localities				
Locality	08-Nov-16	24-May-16	29-Apr-14	Change Since
	Total Debt	Total Debt	Total Debt	29-Apr-14
	£'000	£'000	£'000	£'000
Ashford and Canterbury	1,390	1,210	1,113	277
Corporate	0	0	3	-3
Dartford Gravesham Swanley & Swale	1,642	1,706	1,500	142
East Kent LD	250	284	195	55
Mental Health	114	146	103	11
Thanet and South Kent Coastal	1,813	1,803	1,632	181
West Kent	1,849	2,032	1,643	206
West Kent LD	138	132	83	55
Total	7,196	7,313	6,272	924

WRITE OFFS

34. As at 1 December 2016, £313,862.08 in Social Care write offs had been processed in ORACLE since 1 April 2016. Write offs processed in previous years are as follows.

Social Write Off Analysis by Year

Social Care Write Offs	
Year	Amount
2015 - 2016	£686,715.80
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

CONCLUSION

35. Total Sundry Debt has increased from £16.6m to £19.3m since the last Governance and Audit report. This is largely due to the way that Kent hosts the budget arrangement for the regional growth fund.
36. Total Social Care debt including not yet due has increased from £17.2m to £17.3m since the last Governance and Audit report.

RECOMMENDATION

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

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4 January 2017