

CONFIDENTIAL

By: Cabinet Member for Finance – John Simmonds
Corporate Director of Finance – Andy Wood

To: Governance & Audit Committee – 19 July 2017

Subject: Debt

Summary: To report on the Council's debt position.

1 Introduction

1.1 The purpose of this report is to provide the Governance and Audit Committee with assurance on the Council's outstanding debt position.

1.2 This report concentrates mainly on debt over 6 months old.

2 Summary

2.1 The overall outstanding sundry debt as at 1 June 2017 as shown on Oracle Accounts Receivable (Business Intelligence) was £17,543,766.49, and the overall social care debt as at Client Billing run on 23 May 2017 was £18,270,638.63.

2.2 The debt relates to invoices raised via Accounts Receivable which is referred to as Sundry Debt and invoices raised via Client Billing which is purely related to Social Care Service User Debt. The total Sundry debt as at 1 June 2017 is split as follows in Table 1:

Table 1 – Total Sundry Debt as at 1 June 2017

	A	B	C	D	
	Not Yet Due	AR Overdue 0-60 Amount	AR Overdue 61-181 Amount	AR Overdue 182+ Amount	Total AR Outstanding Amount
Sundry Debt	£6,795,697.84	£7,291,188.00	£1,544,968.18	£1,911,912.47	£17,543,766.49

2.3 The total Social Care Service User Debt as at 23 May 2017, being the date of the most recent Client Billing run, is split as follows in Table 2:

Table 2 – Total Social Care Debt as at 23 May 2017

	A	B	C	D	E	
	0-28 Days (Not Yet Due)	29-56 Days	57-182 Days	183-365 Days	365+ Days	Grand Total
Social Care Debt	£4,748,094.36	£988,953.05	£2,758,586.96	£2,035,905.33	£7,739,098.93	£18,270,638.63

2.4 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 debt over 6 months old – less than 55%**
- **Total outstanding debt over 6 months old which is secured – greater than 45%**

2.5 As at 1 June 2017 the KPI position was as follows:

Table 3 – Outstanding debt over 6 months using Tables 1 and 2

% of outstanding debt over 6 months	48.2%
Over 6 months (£k) (Table 1, Col D+ Table 2 Col D+E)	11,686
Total debt (£k) (Table 1 + Table 2 excl. Col A in both tables)	24,270

Table 4 – Outstanding debt over 6 months which is secured

% of outstanding debt over 6 months which is secured	40.4%
Over 6 months which is secured (£k)	4,716
Total debt over 6 months (£k)	11,686

The reasons for the second KPI not being met are as follows:

- One unsecured invoice for the sum of £650,000 was in dispute; the matter has since been resolved and payment is expected by the end of June. Had this been paid, the % would have been 42.7% which is still below the target.
- As a result of the Care Act we can only secure debts via a Deferred Payment agreement – previously we were able to secure debts on service user's properties without their consent. However, the debt recovery team continue to meet with Legal Services to explore potential ways to secure further debt

3 Background on Sundry Debt

3.1 As and when a Budget Holder requires an invoice to be raised to collect income external to the authority they complete the paperwork in order for an invoice to be raised via the Accounts Receivable system. It is the Budget Holder's responsibility to ensure that they have the necessary paperwork evidencing that the invoice will be paid.

4 Sundry Debt

- 4.1 Table 5 as follows is an analysis of the summary position of Sundry debt by Directorate as at 1 June 2017. The penultimate column shows the value of debt older than six months (182 days+):

Table 5 - Sundry Debt by Directorate as at 1 June 2017

Directorate	Not Yet Due (up to 30 days)	AR Overdue 0- 60 Amount	AR Overdue 61-181 Amount	AR Overdue 182+ Amount	Total AR Outstanding Amount
ASCH & FSC	£1,118,271.31	£1,653,225.14	£265,029.58	£597,776.18	£3,634,302.21
CYPE & ELS	£329,252.12	£361,642.53	£203,858.01	£49,573.64	£944,326.30
GET, C&C & E&E	£3,941,199.46	£2,349,648.14	£568,400.38	£342,248.74	£7,201,496.72
ST & BSS	£638,846.11	£1,686,833.33	£362,346.28	£845,362.49	£3,533,388.21
EDUKENT	£273,035.43	£624,499.24	£4,864.32	£2,162.36	£904,561.35
GEN2 Property	£5,836.80	£0.00	£0.00	£0.00	£5,836.80
PENSION FUND	£0.00	£2,016.96	£0.00	£0.00	£2,016.96
Penalty Notices	£14,640.00	£10,020.00	£20,640.00	£9,960.00	£55,260.00
Property Rents	£474,616.61	£603,302.66	£119,829.61	£64,829.06	£1,262,577.94
Grand Total	£6,795,697.84	£7,291,188.00	£1,544,968.18	£1,911,912.47	£17,543,766.49

- 4.2 Table 6 shows an analysis of the summary position of Sundry debt by invoice tag status that is older than six months:

Table 6 – Analysis of Debt (Over Six Months Old) by Invoice Tag Status

Invoice Tag Status	Total Amount	Count of Invoices
EDUKENT	£2,162.36	4
GT DIRECTORATE INSURANCE	£44,703.01	7
INSTALMENTS	£87,208.81	65
LIQUIDATION/INSOLVENCY/RECEIVERSHIP	£15,403.61	13
PARKED	£3,276.14	5
PENALTY NOTICES - SCHOOLS	£9,960.00	83
REFERRED FOR WRITE OFF	£93,204.35	85
REFERRED TO DIRECTORATE	£895,311.23	130
REFERRED TO LEGAL	£168,891.23	7
UNSECURED	£591,791.73	802
Grand Total	£1,911,912.47	1201

- 4.3 130 invoices with a debt value of £895,311.23 are tagged “Referred to Directorate”. This means that the Debt Recovery team are waiting for information or a response from the Directorate in order to be able to further progress the debt.
- 4.4 Within Table 6, £781,384.68 is over one year old. Table 7 provides further analysis on the debt that is over one year old:

Table 7 – Analysis of Debt (Over One Year Old) by Invoice Tag Status

Invoice Tag Status	Total	Count of Invoices
EDUKENT	£1,300.00	2
GT DIRECTORATE INSURANCE	£3,970.01	4
INSTALMENTS	£64,474.65	51
LIQUIDATION/INSOLVENCY/RECEIVERSHIP	£4,223.99	6
PARKED	£3,276.14	5
PENALTY NOTICES - SCHOOLS	£1,440.00	12
REFERRED FOR WRITE OFF	£77,980.68	61
REFERRED TO DIRECTORATE	£187,307.11	88
REFERRED TO LEGAL	£151,615.81	5
UNSECURED	£285,796.29	269
Grand Total	£781,384.68	503

5 Sundry Health Debt

- 5.1 The Sundry Health Debt as at 1 June 2017 amounts to £4.2million comprising of 272 invoices.
- 5.2 Table 8 provides an analysis by debtor of Sundry Health debt as at 1 June 2017:

Table 8 – Analysis of Health Debt as at 1 June 2017

Customer Name	Not Yet Due	Overdue 0-60 Amount	Overdue 61-181 Amount	Overdue 182+ Amount	Total Outstanding Amount
CENTRAL AND NORTH WEST LONDON NHS FOUNDATION TRUST	0.00	0.00	900.00	0.00	900.00
EAST KENT HOSPITALS UNIVERSITY NHS FOUNDATION TRUST	9,742.94	43,145.13	68,009.87	0.00	120,897.94
KENT & MEDWAY NHS SOCIAL CARE PARTNERSHIP TRUST	1,539.52	21,333.28	20,921.90	1,948.73	45,743.43
KENT COMMUNITY HEALTH NHS FOUNDATION TRUST	4,194.30	475.00	4,810.47	10,368.00	19,847.77
MAIDSTONE & TUNBRIDGE WELLS NHS TRUST	507.00	2,189.84	2,308.20	0.00	5,005.04
NHS ASHFORD CCG	95,186.43	446,791.48	500.00	4,803.89	547,281.80
NHS BARKING & DAGENHAM	0.00	46,112.83	0.00	0.00	46,112.83
NHS CANTERBURY & COASTAL CCG	160,330.48	226,256.57	23,463.00	0.00	410,050.05
NHS DARTFORD, GRAVESHAM, AND SWANLEY CCG	0.00	104,249.87	101,339.10	50,652.82	256,241.79
NHS EASTERN AND COASTAL KENT COMMISSIONING	0.00	891.00	0.00	0.00	891.00
NHS ENGLAND	0.00	4,620.00	0.00	0.00	4,620.00
NHS ENGLAND SOUTH (SOUTH EAST)	0.00	2,100.00	0.00	0.00	2,100.00
NHS HERTS VALLEY CCG	0.00	0.00	72,273.34	0.00	72,273.34
NHS MEDWAY CLINICAL COMMISSIONING GROUP	0.00	9,842.00	0.00	133,246.90	143,088.90
NHS PROPERTY SERVICES LTD#RENT	0.00	0.00	0.00	1,415.23	1,415.23
NHS SOUTH CENTRAL AND WEST CSU	136.48	0.00	0.00	0.00	136.48
NHS SOUTH EAST CSU	0.00	579,439.43	0.00	0.00	579,439.43
NHS SOUTH KENT COASTAL CCG	142,604.65	118,279.73	63,495.90	28,915.83	353,296.11
NHS SWALE CCG	45,059.16	208,088.81	10,366.64	6,951.85	270,466.46
NHS THANET CCG	156,926.19	246,800.66	67,166.49	5,193.52	476,086.86
NHS THANET TRADESHIFT CCG	0.00	338,991.78	0.00	0.00	338,991.78
NHS WEST KENT CCG	223,658.23	39,350.53	0.00	0.00	263,008.76
NHSCHC	0.00	99.00	0.00	0.00	99.00
NORTHDOWN SURGERY	0.00	0.00	500.00	0.00	500.00
SOUTH LONDON & MAUDSLEY NHS FOUNDATION TRUST	0.00	29,052.03	0.00	0.00	29,052.03
SUSSEX PARTNERSHIP NHS FOUNDATION TRUST	102,101.00	0.00	102,101.00	0.00	204,202.00
THE WILLESBOROUGH HEALTH CENTRE	0.00	0.00	120.00	0.00	120.00
USE 82452 NHS SOUTH EAST CSU	0.00	3,837.03	0.00	0.00	3,837.03
WEST HERTS HOSPITAL NHS TRUST	0.00	264.00	0.00	0.00	264.00
WHITE CLIFFS MEDICAL CENTRE	0.00	0.00	40.00	0.00	40.00
Grand Total	941,986.38	2,472,210.00	538,315.91	243,496.77	4,196,009.06

6 Sundry Write Offs

6.1 Table 9 details the sum written off year on year:

Table 9 - Sundry Write Off Analysis by Year

Sundry Write Offs	
Year	Amount
2016 – 2017	£62,763.57
2015 – 2016	£55,211.69
2014 – 2015	£79,897.67
2013 – 2014	£302,928.97
2012 – 2013	£178,147.67
2011 – 2012	£129,753.76

7. Background on Charging for Adult Social Care

- 7.1 Service users are financially assessed to determine their contribution towards their care whether they are in receipt of residential or non-residential care.
- 7.2 The Care Act 2014 provides a single framework for local authorities to charge for care and support under sections 14 and 17. It enables a local authority to decide whether or not to charge a person when it is arranging to meet a person's care and support needs or a carer's support needs. The Act provides statutory guidance that the authority must adhere to. The overarching principle is that a person should only pay what they can afford.
- 7.3 In all cases, a local authority has the discretion to choose whether or not to charge under section 14 of the Care Act following a person's needs assessment. If a local authority decides to charge it must follow the Care and Support (Charging Assessment of Resources) regulations. Local authorities can introduce policies that are more generous than the minimum requirements set out in the regulations and statutory guidance. When an authority develops policies on charging and financial assessment, they must be transparent and ensure they comply with the regulations detailed as follows. This means that each council has discretion in how they charge individuals for certain services and how much an individual has to contribute towards the costs of their care.
- 7.4 The Care and Support (Deferred Payment) Regulations 2014 which states the rules on when a council is permitted to enter into a Deferred Payment Agreement with an individual, for deferring part of their ongoing care and support costs. The regulations also set out a council's power to charge interest and recoup the legal and administration costs of running the Deferred Payment Scheme.

- 7.5 When the property is sold the client is required to pay back the outstanding amount due to KCC from the proceeds of the sale. The client will then self-fund their placement and pay the home directly.
- 7.6 KCC has the power to charge a person for non-residential services based on a means test which ensures they are left with a “protected income level” which cannot be taken into account. This means that some service users are assessed to pay nothing towards their care.
- 7.7 Service users in permanent residential care will be assessed to pay something towards their care, with the exception of Section 117 ‘after care for mental health’ service users.
- 7.8 Irrespective of the size of the debt that a service user has accrued, Kent County Council (KCC) is unable by law to completely withdraw the care a service user is receiving if they have been proven as eligible for care services.
- 7.9 The Department of Work and Pensions (DWP) are responsible for paying benefits to KCC service users. These benefits are taken into account when KCC financially assess how much the client should contribute towards the cost of their care. Essentially the DWP pay the service user and KCC send an invoice in arrears to them (or their elected financial agent/representative) every 4 weeks.
- 7.10 The DWP have agreed that KCC can apply for third party deductions in cases where a client has built up a debt and fails to pay their ongoing care home fees, providing each case meets the criteria stipulated by the DWP. In practice the Council still receives minimal success in obtaining a third party deduction.
- 7.11 Where Arrears occur it is often because the benefits have been spent and the invoice is not paid. On occasions the service user has been subject to financial abuse by their relative or representative. In these cases the Debt Recovery team would alert the relevant case manager in order to raise an adult protection alert where appropriate. A referral to the Client Financial Affairs team may also be considered.

8. KCC’s Process for Charging for Adult Social Care

- 8.1 Each service user is recorded on the SWIFT social care system with details of their needs assessment and the package of care they are in receipt of. Upon completion of the needs assessment, a financial assessment is then conducted to determine what they are assessed to pay based on their ‘means’. It is at that point that charging will then commence.
- 8.2 In the financial year 2016/2017 the total amount of income charged to clients through the Client Billing system was £60,072,767.01. This was an average of £4,621k per billing run. This is an increase when compared to the previous year, when the average was £4,548k per billing run.

9. Analysis of Social Care Debt as at May 2017

- 9.1 Social care debt is reported at the end of each four weekly billing period, rather than monthly. The figures in this report relate to the billing run date on 23 May 2017. It should also be noted that the age of the debt is based on the time elapsed from the invoice date rather than the due date, as with Sundry Debt. Therefore the total debt as at 23 May 2017 stands at £18.27 million across 11,903 debtor accounts. This is broken down as follows:

	<u>£'000s</u>
• Total debt	<u>18,270</u>
• Total secured debt	6,040
• Not yet due unsecured (i.e. current debt)	4,540
• Unsecured and overdue	7,690

- 9.2 The £18.270k can be broken down by the type of care as follows:

	<u>£'000s</u>
• Total debt	<u>18,270</u>
• Residential Debt	15,076
• Non-Residential Debt	3,194

- 9.3 Table 10 shows the value for the element of each debt that is over six months' old and analyses it by age between six months' and over four years old.

Table 10 – Analysis of Over Six Months' Debt in Aged Category

Age of Debt	Total
6 Months	£355,072.59
7 Months	£384,090.45
8 Months	£353,163.47
9 Months	£298,656.44
10 Months	£323,787.16
11 Months	£321,135.22
18 Months	£1,204,208.35
1 Year	£1,938,994.19
2 Years	£1,621,899.89
3 Years	£1,080,449.06
Over 4 Years	£1,893,547.44
Grand Total	£9,775,004.26

- 9.4 As can be seen from Table 10, the value of the total debt over six months, excluding any younger debt values that are owed by the same debtor, is £9,775,004.26 with £1,893,547.44 of this debt over 4 years old.

- 9.5 There are currently 11,748 debtors with an unsecured debt or credit on their account; this includes 207 clients with credit balances totalling £81k. This figure includes both due and not yet due debts – which total £12,230k. Most credit balances occur when an ongoing Direct Debit is set to pay ongoing four weekly charges and then the account is retrospectively adjusted. A credit adjustment will be applied to an account when a service user has been in hospital, has not received care for any reason, or is deceased. The Direct Debit payment will already have been applied to the account; hence the credit balance
- 9.6 The following tables comment on unsecured overdue debt values and movements since March 2015. Unsecured and overdue debt is of the greatest risk to the council. The unsecured overdue debt over six months' old is also commented upon.
- 9.7 Table 11 shows the value of unsecured debt, in terms of overdue, not yet due and total debt. It also shows the value of unsecured debt that is over six months' old at each point in time:

Table 11 – Unsecured and Aged Unsecured Debt Values since March 2015

UNSECURED DEBT BREAKDOWN				
	Mar-15	Mar-16	Mar-17	May-17
Invoice Run Date	30/03/2015	29/03/2016	28/03/2016	23/05/2017
Overdue	£6,887,420	£6,891,251	£7,499,276	£7,690,303
Not Yet Due	£4,145,752	£4,280,119	£4,200,037	£4,540,051
Total Unsecured Debt	£11,033,172	£11,171,370	£11,699,313	£12,230,355
Over Six Months Element Only	£4,232,818	£4,275,692	£5,030,917	£5,058,604

- 9.8 Table 12 shows the movement in Unsecured Overdue debt between each period shown, as well as the cumulative movement since March 2015:

Table 12 – Unsecured and Aged Unsecured Debt Movement Since March 2015

TOTAL OVERDUE UNSECURED DEBT MOVEMENTS				
	Mar-15	Mar-16	Mar-17	May-17
Year to Year Movement	£615,004	£3,831	£608,025	£191,027
Cumulative Movement since Mar 2015	£615,004	£618,835	£1,226,860	£1,417,887

- 9.9 Table 12 above shows that the unsecured overdue debt has cumulatively increased by £1,417,887 in total since March 2015. Table 13 looks at the movement of the value of debt over six months' in age since March 2015, as well as the cumulative movement since this date.

Table 13 – Unsecured Over Six Months' Aged Debt Movement since March 2015

OVER SIX MONTHS ONLY UNSECURED DEBT MOVEMENTS				
	Mar-15	Mar-16	Mar-17	May-17
Year to Year Movement	£615,753	£42,874	£755,225	£27,687
Cumulative Movement since Mar 2014	£615,753	£658,627	£1,413,852	£1,441,539

9.10 It should be noted again that these debt values are purely the debt in excess of six months and do not include any younger debt values that may be owed by the same debtor. As can be seen the value of debt in the over six months' category has increased by £1,441,539 since March 2015.

10. Unsecured Debt Over 6 months Old

- Caution Restriction £42k
- Unsecured Debt - Deceased/Service Terminated: £1,361k
- Unsecured Debt - Ongoing: £3,656k
- Total Unsecured over 6 months' old: £5,059k

10.1 There are 1780 debtors with some/all of their debt over six months old, making up the total £5,059k unsecured over six months debts.

10.2 Table 14 shows the number and value of the 1780 debtors that fall into each category:

Table 14 – Categorised Analysis of Aged Unsecured Social Care Debt

Tag Status	Value of Debt Over Six Months	Total Debt	No of Clients
CAUTION RESTRICTION	£41,561.75	£41,612.35	5
CLIENT FINANCIAL AFFAIRS	£416,685.79	£516,983.77	84
COMPLEX CASE	£208,053.71	£213,465.87	25
DEFERRED PAY S69 - UNSECURED	£78,495.74	£114,265.23	3
ESTATE	£1,216,328.53	£1,294,769.5	468
INSTALMENTS	£296,595.09	£345,523.72	109
PARKED TERMINATED	£41,505.55	£41,927.5	32
REFERRED FOR WO	£93,635.34	£86,341.06	39
REFERRED TO LEGAL	£519,756.13	£558,072.18	16
THIRD PARTY DEBTOR	£23,243.68	£43,955.06	9
UNSECURED	£2,122,743.26	£3,082,304.89	990
Total	£5,058,604.57	£6,339,221.13	1,780

10.3 Of these 1780 cases, there are 958 cases (£2,389k) where the total debt is over six months old.

10.4 As at 1 June 2017, £38,403.14 in Social Care write offs had been processed in ORACLE since 1 April 2017. Write offs processed in previous years are as follows:

Table 15 - Social Care Write Off Analysis by Year

Social Care Write Offs	
Year	Amount
2016 - 2017	£388,328.70
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

11. Debt Recovery Action

11.1 As mentioned above, all of the 1780 cases within this report are in the process of debt recovery. A spreadsheet detailing each of these cases and their current status is available upon request.

11.2 One of the main reasons for the debt recovery process stalling is that the debt is legally that of the service user but a third party is managing their financial affairs. A further reason is that, where clients manage their own finances, incentives to pay, such as the removal of services, are not available owing to the Council's duty of care. Furthermore, there is little support received from the Department for Work and Pensions in redirecting the element of benefits that are not being used to pay for care charges to the Local Authority.

11.3 There are two main types of instances where the debt recovery process has been exhausted and the debt not cleared:

- **Estate:** the service user is deceased, the case has gone through probate and there is nothing left for KCC to reclaim against. In these cases the accounts should be processed as write offs.
- **Parked terminated:** the service user is still alive but the service has ended, KCC practice is to 'park' the debt as service may be resumed at a later date. These are reviewed periodically.

12. Recommendation

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

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