

By: Cabinet Member for Finance
Director of Finance

To: Governance and Audit Committee - 30 April 2010

Subject: DEBT RECOVERY

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

FOR DECISION

INTRODUCTION

1. As the economy entered recession there was concern over whether the level of debt owed to the County Council for services provided would increase. As a result six monthly reports to this Committee were started.
2. This report gives an updated position and proposes a change to future reporting.

MANAGEMENT SUMMARY

3. The overall debt position as at 28 February 2010 as shown on Oracle Accounts Receivable is £38,902,507. This represents social care debt from SWIFT of £13,785,699 and sundry debt (which includes some social care Health debt) of £25,116,808.
4. The remainder of this report relates to sundry debt only - KASS debt is reported through KASS reporting routes.
5. For the purposes of this report the debt less than 30 days past the invoice due date (totalling £10,359,971) will be excluded as it is deemed not yet due for payment. This means that the figures and tables within this report are based on the outstanding debt amount of £14,756,837.
6. Please note that throughout this report Chief Executive will include the old Corporate debt, CFE will include the old Education debt, and EHW will include the old Strategic Planning debt. We are unable to retrospectively amend Oracle to reflect the new directorate structure. The debt reporting is calculated from the invoice due date and not the invoice date.

7. The table below is an analysis of the summary position as at 28 February 2010.

Directorate	Outstanding Debt (excluding debts not yet due)	0 – 60 Days	Over 60 Days and Under 6 Months	Over 6 Months
Chief Executive	3,964,668	3,830,825	31,367	102,476
CFE	3,952,949	1,916,043	568,043	1,468,863
EHW	3,010,538	1,886,379	837,153	287,006
Communities	873,009	356,913	403,029	113,067
KASS (Sundry)	2,955,673	1,334,738	1,227,387	393,548
Total	14,756,837	9,324,898	3,066,979	2,364,960

PERFORMANCE

8. 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 65%
 - Total outstanding sundry debt over 6 months old – less than 20%
9. As at 28 February 2010 78% of the total sundry outstanding debt is under 60 days old and 9% is over 6 months old. So these targets are being exceeded.

DEBT LEVELS OVER SIX MONTHS OF AGE

10. Below is an analysis of the categories of debt over 6 months old.

Directorate	Status of Debt	Amount Over 6 Months Old
Chief Executive	Instalments	2,852
	Referred to legal services	20,824
	Referred for write off	1,066
	Referred to directorate for action	62,814
	Ongoing action	14,920
	Sub total	102,476
CFE	Instalments	20,259
	Referred to legal services	39,335
	Referred for write off	3,374
	Referred to directorate for action	1,071,845
	Ongoing action	71,500
	Internal school charges	262,551
	Sub total	1,468,864

Directorate	Status of Debt	Amount Over 6 Months Old
EHW	Instalments	0
	Referred for write-off	618
	Ongoing action	81,825
	Referred to directorate for action	140,015
	Insurance	63,735
	Referred to legal services	814
	Sub total	287,007
KASS (Sundry debt)	Instalments	19,386
	Referred to legal services	11,915
	Referred for write-off	2,038
	Ongoing action	51,397
	Health debt	267,693
	Referred to directorate for action	31,419
	Small claims court	344
	Estate	8,930
	Automatic Writeback	427
	Sub total	393,548
Communities	Instalments	5,785
	Referred for write-off	1,485
	Referred to directorate for action	2,784
	Ongoing action	90,574
	Referred to legal services	12,439
	Sub total	113,067

TRENDS

11. Below are the trends of debt outstanding at 1 November 2009, 1 January 2010 and 1 March 2010.

Directorate	Debt O/S Excluding Not Yet Due as at 1/11/09	Debt O/S Excluding Not Yet Due as at 1/1/10	Debt O/S Excluding Not Yet Due as at 1/3/10
CED	3,321,839	1,651,194	3,964,668
CFE	4,002,631	4,065,988	3,952,949
EHW	2,558,771	2,067,403	3,010,538
Communities	593,352	591,315	873,009
KASS (Sundry)	2,921,885	6,174,944	2,955,637
Total	13,398,478	14,550,644	14,756,801

Comments on these trends are as follows:

CED

- The Debt O/S excluding Not Yet Due as at 1 March 2010 increased to £3.97 million from £1.65 million as at 1 January 2010
- There were 2 invoices raised in February 2010 to KCS totalling £1.52 million for admin and clerical staff payments and 1 invoice to KCS for £700k for an annual insurance charge.
- Also raised in February was an invoice to Improvement and Efficiency South East Partnership for £610k for Gateway funding for the 2 year period April 09 to March 2011.

CFE – No major variances

EHW – No major variances

Communities

- The Debt O/S excluding Not Yet Due as at 1 March 2010 increased to £873k from £591k as at 1 January 2010.
- During February there were invoices raised to the value of £164k to District Councils to charge for the provision of an emergency planning service and to HMP Prison Maidstone for annual staffing costs of £65k.

KASS

- The Debt O/S excluding Not Yet Due as at 1 January 2010 increased to £6.2 million from £2.9 million as at 1 November 2009.
- The majority of the increase can be explained by an invoice to the value of £3.03 million raised in Oct 2009 to Eastern and Coastal PCT for contributions towards residential/nursing care. This invoice has since been paid.
- In December 2010 there were a number of invoices raised for annual charges, such as: an invoice to Dover District Council for their contribution to EHFA PFI development costs April 2008 to Sept 2009 (£26k) and an invoice to New care Homes Ltd to recover £23k of payments for a client who was health funded for 3 November 2008 to 2 November 2009.
- Eastern and Coastal PCT were charged £82k for OPMHN Respite provision for the period April 2009 to March 2010.
- As well as annual charges there were also quarterly charges to PCT's such as an invoice to West Kent PCT for £275k for registered nursing care July to Sept 2009 and for £70k for a contribution to core equipment Oct 2009 to Dec 2009.

12. Liquidations

Over the last year we have noticed that there has been an increase in the numbers of debts written off due to companies going into liquidation. During the Year 2008/9 there was only one write off, totalling £199.75. During the Year 2009/10 there have been 14 invoices written off so far, totalling £23,661.55. Below is a list:

Directorate	Company Name	Amount £	Date
CED	MFI	630.69	May 09
CED	Telabria Ltd	2,070.23	January 10
CFE	Cuddlez Nursery Ltd	2,373.20	June 09
CFE	Swallow Hotel Ltd	170.00	July 09
COMM	Mr Bagel's Ltd	103.40	July 09
COMM	Tree Jumpers Ltd	417.60	November 09

Directorate	Company Name	Amount £	Date
COMM	Silver Springs Mineral Water Co Ltd	123.05	January 10
EHW	Amber Langis Ltd T/A Amber RTM	15,145.71	July 09
EHW	Timberland Homes Ltd	291.59	August 09
EHW	Amber Langis Ltd T/A Amber RTM	274.95	August 09
EHW	Pierse Contracting Southern Ltd	418.05	December 09
EHW	English Village Housing Association	71.13	January 10
EHW	English Village Housing Association	335.12	February 10
KASS	Cerrus International Ltd	1,236.83	February 10
	Total	23,661.55	

This is a modest increase from recent years.

FUTURE REPORTING

13. Regular debt reporting goes to Cabinet and Finance Strategy Board. Taking account this Committee's Terms of Reference it is suggested that it would be more appropriate if this item was reported in future to the Budget Informal Member Group.

RECOMMENDATION

14. Members are asked to:
 - (1) Note the contents of this report.
 - (2) Endorse the recommendation that future reports should go to the Budget IMG.

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