

By: Director of Finance
To: Governance & Audit Committee – 17 September 2008
Subject: **DEBT RECOVERY**
Classification: Unrestricted

Summary: To report on the Council's debt position

FOR INFORMATION

INTRODUCTION

1. The purpose of this report is to provide the Governance and Audit Committee with a summary of the Council's outstanding debt position i.e. amounts owed to the Council.
2. The report will be issued on a six-monthly basis and will provide a comparative of the current outstanding debt levels with that of the previous year.

DEBT MANAGEMENT POLICY

3. A council wide debt management policy was introduced in April 2004 and was agreed by the Chief Officers Group (COG). The policy was revised in November 2006. The objective of the policy is to set best practice with consistent and effective processes for the maximisation of income and the management of the Council's debt.
4. Given the nature of their debt, Kent Adult Social Services (KASS) have implemented their own debt management policy. This has been effective from 1 December 2007.
5. KASS are looking at ways to improve their long term debt position and have recently established a working group chaired by a Director to review their debt strategy. There are attendees from Legal Services, Chief Executive Finance, KASS Finance and Care Management.

MANAGEMENT SUMMARY

6. The overall outstanding debt position as at 31 July 2008 is £31,554,454.
7. For the purposes of this report the sundry debt aged zero days or less and the KASS social care debt aged zero to four weeks (totalling £13,161,501) has been excluded as it is deemed not yet due for payment. This means that the tables below are based on the outstanding debt of £18,392,953.

8. Throughout this report Chief Executive (CED) will include the old Corporate debt, CFE will include the old Education debt, KASS will include the old Social Services debt and E&R will include the old Strategic Planning debt. We are unable to retrospectively amend our financial system to reflect the new directorate structure. Please also note that the debt reporting is calculated from the invoice due date and not the invoice date
9. The following table is an analysis of the summary position for 31 July 2008 in comparison to 31 July 2007. The figures are inclusive of secured debt and are a snap-shot of the debt position at that time.

Directorate	Outstanding Debt 31/07/08	Outstanding Debt 31/07/07	% Change	1-60 Days 31/07/08	1-60 Days 31/07/07	% Change	Over 6 Months 31/07/08	Over 6 Months 31/07/07	% Change
CED	277,805	3,709,668	-92	97,609	3,597,371	-97	36,883	24,437	+50
CFE	2,245,143	1,029,441	+118	985,584	380,213	+159	257,960	386,219	-33
KASS	12,219,189	10,265,702	+19	2,475,963	1,411,676	+75	6,185,330	6,516,777	-5
E&R	3,384,456	1,723,709	+96	3,028,096	599,394	+405	241,727	584,721	-58
Communities	266,360	398,030	-33	210,220	299,571	-29	11,737	7,733	+51
Total	18,392,953	17,126,550	+7	6,797,472	6,288,225	+8	6,733,637	7,519,887	-10

In the last year the outstanding debt has increased by 7% and the debt levels over 6 months of age has reduced by 10%. We are looking into the reasons for the increase in the short term debt and in particular if it is related to the current economic circumstances and may presage problems in recovery.

10. The table below details the number of transactions raised and their value for the year ending 31 July 2008 in comparison to the year ending 31 July 2007.

Type of Debt	No. of Transactions - period ending 31/07/08	Value of Transactions (Invoices raised less Credit Memos raised) – period ending 31/07/08	No. of Transactions - period ending 31/07/07	Value of Transactions (Invoices raised less Credit Memos raised) – period ending 31/07/07
Sundry Debt	34,339	£164,510,187	34,612	£127,451,123
Social Care	166,712	£55,116,087	175,679	£53,918,413

11. The above table demonstrates that whilst the number of transactions has reduced within the last year, the value of invoices raised has increased by £38,256,738, representing 21%.

SECURED DEBT

12. Legislation permits the Council to secure debts by obtaining a legal charge against an individual's property, having a legal charge in place does protect the Council's position, however, in the majority of cases it is some considerable time before the legal charge is redeemed and the outstanding debt is repaid. This usually occurs after a service user is deceased.
13. The table below details our secured debt position as at 31 July 2008 in comparison to 31 July 2007.

Period	Secured Amount	Period	Secured Amount
31/07/08	3,425,571	31/07/07	3,360,422

14. This means that 18% of the Council's outstanding debt at 31 July 2008 is secured.

DEBT RECOVERY PERFORMANCE INDICATORS

15. There are two corporate performance indicators that the Debt Recovery team aims to achieve. The performance indicators are based on a percentage of the total outstanding debt rather than on the value of the outstanding debt. This provides a more meaningful indication of how effective debt recovery action, by the team, is.

- (1) Total outstanding debt less than 60 days old – target 65% or more.
- (2) Total outstanding debt over 6 months old – target 20% or less.

The percentage excludes secured debt.

16. The performance outcomes for 31 July 2008 in comparison to 31 July 2007 are as follows.

Period	Under 60 Days Old	Over 6 Months Old
31/07/07	70%	20%
31/07/08	71%	14%

17. This means that on 31 July 2008 both targets were achieved.

IMPROVEMENTS

18. The Exchequer Services team strives for continuous improvement and seeks best practice. Listed below are two areas of working currently being explored, which we anticipated will deliver a range of benefits.

19. ***Enterprise Interface***

- (1) Income relating to the rental of property, owned by KCC, is currently charged through the Oracle Accounts Receivable system. The process involves the manual completion of paperwork, involving a number of individuals within various directorate units, to enable the Debt Recovery team to set-up regular charges through the Oracle system. A potential solution to improve the efficiency of charging has been identified. The source data for KCC properties is held on the Property Group's database (called Enterprise) and with some work has the possibility to streamline the process by creating an electronic interface directly into Oracle that will generate the charges.
- (2) The benefits of the interface will reduce the labour intensity currently involved and generate more accurate and timely charges of rental income.

20. **AR Invoice Wizard/AR Receipts Wizard**

- (1) AR Invoice Wizard and AR Receipts Wizard are products that allow an upload of invoice transactions and income receipts, directly from an Excel spreadsheet, to Oracle Receivables. Some potential benefits are;
- transaction data can be entered into an Excel spreadsheet without having to login to the live Oracle system.
 - potential for increased home-working.
 - as the product uses Excel format, the data input does not require the specialist skills needed for input directly to Oracle.
 - potential for devolved input without increasing existing staff workloads. It will take no longer than the current process whereby staff complete invoice requests and send them to Debt Recovery for input.
 - there is an option for staff to email their completed spreadsheet to Exchequer Services for upload directly into Oracle, thus maintaining control.
 - ideal for regular charges and repeated customer transactions.
 - migration of the general bank account reconciliation, of income received, recorded directly onto Oracle Accounts Receivable as opposed to manual data entry into Oracle General Ledger.
- (2) Exchequer Services along with ISG Oracle Business Services are in the process of obtaining a temporary licence so that the products can be tested and evaluated in the development environment.

RECOMMENDATION

21. Members are asked to note this report

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