

By: Director of Finance **Item 9**
To: Governance & Audit Committee – 19 September 2007
Subject: DEBT RECOVERY
File Ref:

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

FOR INFORMATION

INTRODUCTION

1. The purpose of this report is to provide Audit and Governance Committee with a summary of the Council's outstanding debt position i.e. amounts owed to the Council related to the provision of our services.
2. The report will be issued on a 6 monthly basis and will provide a comparison of the current outstanding debtor 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 debtors.
4. Given the nature of their debt, Adult Services have their own debt management policy for care related debt, which is currently under review.

MANAGEMENT SUMMARY

5. The overall outstanding debtor position as at 31 July 2007 is £28,176,650.

Throughout this report Chief Executive (CED) will include the old Corporate debt, CFE will include the old Education debt, Adult Services (AS) 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.

The following table is an analysis of the summary position for 31 July 2007 in comparison to 31 July 2006. The figures are inclusive of secured debt.

Directorate	Total Debt 31/07/07	Total Debt 31/07/06	% Change	Under 60 Days 31/07/07	Under 60 Days 31/07/06	% Change	Over 6 Months 31/07/07	Over 6 Months 31/07/06	% Change
CED	5,891,398	3,902,164	+51	5,779,102	3,761,664	+53	24,437	101,438	-75
CFE	2,309,578	4,544,659	-49	1,660,350	3,107,563	-46	386,219	389,171	-1
AS	16,215,729	18,091,045	-10	7,418,074	7,188,434	+3	6,384,573	7,011,432	-9
E&R	2,805,775	5,905,571	-52	1,679,543	3,584,004	-53	584,721	1,215,018	-52
Communities	954,170	513,282	+86	855,711	508,934	+68	7,734	0	-
Total	28,176,650	32,956,721	-15	17,392,780	18,150,599	-4	7,387,684	8,717,059	-15

Note – In the last year the total debt and the debt levels over 6 months of age have both reduced by 15%

SECURED DEBT

6. 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.
7. The table below details our secured debt position as at 31 July 2007 in comparison to 31 July 2006.

Period	Secured Amount	Period	Secured Amount
31/07/07	3,322,727	31/07/06	3,171,239

This means that 11.79% of the Council's overall debt at 31 July 2007, is secured.

DEBT RECOVERY PERFORMANCE INDICATORS

8. 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.
 - Total outstanding debt less than 60 days old – target 60% or more.
 - Total outstanding debt over 6 months old – target 20% or less.

The percentage excludes secured debt.

9. The performance outcomes for 31 July 2007 in comparison to 31 July 2006 are as follows.

Period	Under 60 Days Old	Over 6 Months Old
31/07/06	70%	20%
31/07/07	61%	21%

This means that on 31 July 2007 both targets were achieved.

IMPROVEMENTS

10. The Debt Recovery team strives for continuous improvement and seeks best practice. Listed below are some of the areas in which improvements have been made throughout the County during the last 18 months.

- (1) On-line access to Land Registry direct – this facility provides a valuable resource to enable title deeds of properties to be verified. This has speeded up the process where debts can be secured by a legal charge.
- (2) Recovery of debts through the County Court – since November 2006 the Debt Recovery team have pursued debtors through the small claims court. This facility reduces costs, by not having to engage the services of our in-house legal department, and speeds up the recovery process.
- (3) Automatic write-back – forms part of the Council’s revised debt management policy and allows the Debt Recovery team to automatically write-back a debt to its originating budget code, where the directorate has failed to resolve. CIPFA benchmarking indicates that other counties are adopting this approach.
- (4) Instalment plans – a more realistic approach to instalments has been adopted. Entering into an instalment arrangement for small sums and long periods is not cost effective.
- (5) Regular debt meetings – Debt Recovery undertakes regular six-weekly meetings with directorate colleagues. The meetings have had a positive outcome on progressing old, high value debt issues.
- (6) External agency – the Debt Recovery team uses a debt collection agency for the issue of a set of predefined letters. The Debt Recovery team carefully selects cases for referral, using experience to judge cases that are likely to produce good results. The Debt Recovery team also instigates, on-line person searches and tracing agents to locate the whereabouts of debtors who have absconded.
- (7) Exchequer newsletter – quarterly newsletters are issued to Finance and some directorate colleagues. The purpose of the newsletter is to communicate information about the services of Exchequer. Debt Recovery has used this newsletter to address the slow resolution of

disputes and queries raised by debtors and has communicated the importance of accurate debtor information.

RECOMMENDATION

11. Members are asked to note this report.

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