

By: Acting Director of Finance
To: Governance and Audit Committee – 5 March 2008
Subject: **DEBT MANAGEMENT**
Accountable Officer: Principal Debt Recovery Officer
Classification: Unrestricted

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

FOR INFORMATION

INTRODUCTION

1. The purpose of this report is to provide Governance and Audit Committee with a summary of the Council's outstanding debt position.
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 have implemented their own debt management policy. This has been effective from 1 December 2007. Detailed procedures are being prepared.

MANAGEMENT SUMMARY

5. The overall outstanding debt position as at 31 January 2008 is £30,679,287.

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

The following table is an analysis of the summary position for 31 January 2008 in comparison to 31 January 2007. The figures are inclusive of secured debt.

Directorate	Total Debt 31/01/08	Total Debt 31/01/07	% Change	Under 60 Days 31/01/08	Under 60 Days 31/01/07	% Change	Over 6 Months 31/01/08	Over 6 Months 31/01/07	% Change
1.1.1.1 C E D	2,970,419	3,097,683	-4	2,883,251	3,027,722	-4	31,451	44,374	-29
1.1.1.1.1 C F E	3,018,954	5,062,285	-40	2,156,598	3,803,824	-43	309,162	540,153	-42
KASS	19,432,580	20,175,282	-3	10,771,717	9,753,391	+10	5,610,667	7,389,854	-24
E&R	1,861,173	3,622,318	-48	1,368,410	2,499,827	-45	420,296	995,347	-57
Communities	3,396,161	1,492,237	+127	2,520,756	993,420	+153	9,340	11,439	-18
Total	30,679,287	33,449,805	-8	19,700,732	20,078,184	-1	6,380,916	8,981,167	-28

Note – In the last year the total outstanding debt has reduced by 8% and the debt levels over 6 months of age has reduced by 28%.

SECURED DEBT

- 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.
- The table below details our secured debt position as at 31 January 2008 in comparison to 31 January 2007.

Period	Secured Amount	Period	Secured Amount
31/01/08	3,551,423	31/01/07	3,314,862

This means that 11% of the Council's overall debt at 31 January 2008 is secured.

DEBT RECOVERY PERFORMANCE INDICATORS

- 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 January 2008 in comparison to 31 January 2007 are as follows.

Period	Under 60 Days Old	Over 6 Months Old
31/01/07	67%	21%
31/01/08	73%	14%

This means that on 31 January 2008 both targets were achieved and during the year there has been a significant improvement in performance.

ACCOUNTS RECEIVABLE AUDIT (DRAFT)

10. A draft audit report for Accounts Receivable was circulated on 25 January 2008. The overall audit assurance has been rated as substantial and three recommendations have been made.
- All staff should be reminded that invoice requests need to be sent to Exchequer Services in order that invoices can be raised within 14 days of service delivery.
 - All staff should be reminded of the mandatory information that needs to be provided on invoice requests.

Both these items will be included in the next Exchequer newsletter due for release in May 2008. It is also recommended that Directorate Heads of Finance should cascade the message through their Directorates.

- Each Directorate should clarify the authorisation levels they require for write-offs. Where required, Schemes of Delegation should be updated to reflect these responsibilities and communicated to Exchequer Services.

WRITE OFF OVER £10K

- A confidential note relating to a debt write off greater than £10k will be circulated at the meeting with an explanation as to why approval from Governance & Audit Committee could not be obtained prior to the debt being written off.
- As this case was subject to a legal settlement agreement, the remaining balance of £34,579.47 was written off in October 2007.

13. Similar situations of this nature may arise again in the future and as such they will be reported to Governance & Audit Committee, through this report, for information purposes only.

RECOMMENDATION

14. Members are asked to note this report.

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