

By: Cabinet Member for Finance
Director of Finance

To: Governance & Audit Committee – 1 December 2009

Subject: **DEBT RECOVERY**

Classification: Unrestricted

Summary: To report on the Council's debt recovery 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 information pertaining to current outstanding debt levels.

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 sundry 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. As of the 1st October 2009 KASS social care debt is no longer managed within Exchequer Services in CED but has passed to the KASS Directorate. The KASS reporting policy will be to base their data included within both this and any future reports, on the four weekly client billing cycle, not month end.

MANAGEMENT SUMMARY

6. The overall debt position as at 31 October (sundry debt) / 26 October (social care debt) is £42,508,401.70. This represents social care debt of £16,142,660.61 and sundry debt of £26,365,741.09.
7. Based on the four weekly client billing cycle referred to above, the total social care debt recorded on the ORACLE system, as at the 26th October 2009 is £16.265m, of which £4.370m is not yet due. However, £0.200m of this relates to

payments made by instalments, when adjusting for this the social care debt, we believe, that is owed to KCC is £12.095m. The age profile of this debt is.

- 0 - 60 days £2.9m
- Over 60 days and under 6 months £2.2m
- Over 6 months £7.0m

7. The remainder of this report relates to sundry debt only.
8. For the purposes of this report the debt aged zero days or less (totalling £12,967,263) has been 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 £13,398,478.
9. Please note that throughout this report Chief Executive will include the old Corporate debt, CFE will include the old Education debt, and E&R 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.
10. The table below is an analysis of the summary position as at 31 October 2009.

Directorate	Outstanding Debt (excluding debts not yet due) £	0 – 60 Days £	Over 60 Days and Under 6 Months £	Over 6 Months £
Chief Executive	3,321,839	3,056,222	163,269	102,348
CFE	4,002,631	1,861,364	1,201,811	939,455
E&R	2,558,771	1,806,184	454,147	298,441
Communities	593,352	367,205	189,163	36,984
KASS (Sundry)	2,921,885	2,088,933	290,249	542,704
Total	13,398,478	9,179,907	2,298,639	1,919,931

DEBT LEVELS OVER SIX MONTHS OF AGE

11. 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	3,142
	Referred to legal services	5,828
	Referred to directorate for action	45,421
	Ongoing action	47,958
	Sub total	102,349

CFE	Instalments	19,459
	Referred to legal	5,832
	Referred to directorate for action	153,039
	Ongoing action	360,209
	Internal school charges	400,917
	Sub total	939,456
E&R	Referred to legal services	47,602
	Referred for write-off	1,212
	Ongoing action	51,919
	Referred to directorate for action	169,613
	Insurance	28,095
	Sub total	298,441
KASS (Sundry debt)	Instalments	18,582
	Referred to legal	12,259
	Referred for write-off	850
	Ongoing action	56,691
	Health debt	386,248
	Referred to directorate for action	68,073
Sub total	542,703	
Communities	Instalments	5,068
	Referred for write-off	203
	Referred to directorate for action	5,466
	Ongoing action	25,037
	Referred to legal services	1,210
	Sub total	36,984

DEBT RECOVERY PERFORMANCE INDICATORS

12. 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 sundry debt less than 60 days old – target 65% or more.
(2) Total outstanding sundry debt over 6 months old – target 20% or less.
13. As at 31 October 2009 84% of the total sundry outstanding debt is under 60 days old and 5% is over 6 months old.
This means that on 31 October 2009 both targets were achieved.

DEBTS WRITTEN-OFF

14. From April 2009 the following debts have been through the authorisation process and have been input on the financial systems.

Directorate	Total £
Chief Executives	2,396

CFE	9,066
E&R	125,953
KASS (Sundry debt only)	62,404
Communities	9,788
Total	209,607

RECOMMENDATION

15. Members are asked to note this report.