

AGENDA MANAGEMENT SHEET

Name of Committee Resources, Performance And Development Overview And Scrutiny Committee

Date of Committee 11th November 2008

Report Title Debt Recovery - Update

Summary The Committee is invited to note the report and comment upon the progress on debt recovery.

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Would the recommended decision be contrary to the Budget and Policy Framework? No.

Background papers None

CONSULTATION ALREADY UNDERTAKEN:-

Details to be specified

- Other Committees
- Local Member(s)
- Other Elected Members Cllr Booth, Cllr Haynes, Cllr Atkinson
- Cabinet Member Cllr Cockburn – for information
- Chief Executive
- Legal Jane Pollard
- Finance David Clarke – reporting officer
- Other Chief Officers
- District Councils
- Health Authority
- Police

Other Bodies/Individuals Paul Williams, Scrutiny Officer

FINAL DECISION Yes

SUGGESTED NEXT STEPS:

Details to be specified

Further consideration by
this Committee

To Council

To Cabinet

To an O & S Committee

To an Area Committee

Further Consultation

Executive Summary

Background

This report updates members on the progress on debt recovery since June 2008. This report also briefly outlines the recovery action that directorates can take before referring debts for legal action. This report is a snapshot as at 22nd October 2008. The report updates members on the outstanding over-42 days, over-£30,000 debts reported in June.

Recovery Action

The County Council have a Statement of Recommended Practice on recovery action of outstanding debts. It is the responsibility of Cost Centre Managers as originators of the invoice to collect outstanding debts relating to their cost centre. The County Council's standard payment terms are 21 days. Directorates are likely to employ a combination of techniques, including letter, telephone or a specific course of action, depending on the type or nature of the unpaid debt to encourage payment of the invoice before referring unpaid invoices for legal action.

Over-42 Days, Over £30,000 Debt

As at 22 October 2008, the County Council has 20 debts outstanding that are over-42 days, over-£30,000 totalling approximately £1.5 million.

Resources, Performance and Development Overview and Scrutiny Committee - 11th November 2008

Debt Recovery - Update

Report of the Strategic Director, Resources

Recommendation

Members are asked to review and comment on the progress since the last report in June 2008 on debt recovery.

1 Background

- 1.1 At the Resources, Performance and Development Overview and Scrutiny Committee meeting on 10th June 2008, members requested the continuation of regular reporting on debt recovery. This report also briefly outlines the recovery action that directorates can take before referring debts for legal action as requested at the same meeting. This report is a snapshot as at 22nd October 2008. The report updates members on the outstanding over-42 days, over-£30,000 debts reported in June.

2 Recovery Action

- 2.1 At the meeting in June 2008, members requested details of the Council's debt recovery policy. The following is a brief synopsis of the recovery action highlighted within the County Council's Statement of Recognised Practice (part of the Best Practice Guide).
- 2.2 It is the responsibility of Cost Centre Managers as originators of the invoice to collect outstanding debts relating to their cost centre. In many cases directorates have dedicated debt recovery teams who continually chase payment of invoices.
- 2.3 The County Council's standard payment terms are 21 days. Any variations from this standard must be authorised by the directorate's Financial Services Manager. If payment has not been received a reminder should be issued as soon as the due date has passed unless there are sound reasons for not doing so. This may be due to an agreement or an arrangement to pay having already been confirmed.

2.4 At least one reminder letter demanding payment should be sent to the debtor demanding payment before the outstanding invoice is sent for legal action. However, directorates may feel that sending more than one letter demanding payment is appropriate. If following this reminder letter the debtor remains unpaid then the directorate have a number of options:

- Telephone the debtor
- A specific course of action relating to the debtor
- Refer for legal action

Directorates are likely to employ a combination of techniques depending on the type or nature of the unpaid debt to encourage payment of the invoice before referring unpaid invoices for legal action.

3 Over-42 Days, Over-£30,000 Debt

3.1 The Audit Commission recommends referral of unpaid invoices for legal action after 42 days. Our experience has been that the first legal letter, sent out by Legal Services shortly after receipt of a referral from a Directorate is effective in recovery of debt. Based on this experience the following provision is included in our Statement of Recognised Practice:

Strategic Directors are required to:

'Refer all debts not paid within 42 days for legal action. If a debt is not referred for legal action at 42 days, Strategic Directors must be able to justify the reason for not doing so.'

3.2 Members will recall the report in June 2008 gave a list of the over 42 days debt greater than £30,000. An update of this list is given in table 1 overleaf. The debts previously reported to members in June are highlighted in bold in the shaded area.

Table 1: Outstanding over-42 days, over-£30,000 debt

Directorate	Invoice No	Debtor Name	Value of invoice (£)	Outstanding amount (£)	Invoice Date
EE	00137881	Warwick District Council	87,971	69,865	11/04/2006
EE	00158223	Warwick District Council	95,844	95,844	03/04/2007
CYPF	00160023	Warwickshire PCT	73,419	73,419	11/05/2007
EE	00166068	Color Estates Ltd	80,602	60,602	05/09/2007
AHCS	00179205	Care through the Millennium	44,314	35,743	05/09/2007
CYPF	00182293	George Wimpey (West Midlands) Ltd	79,848	79,848	30/05/2008
CYPF	00182599	AGN Design & Build LTD	38,468	38,468	03/06/2008
AHCS	00183217	Warwickshire PCT	81,359	81,359	10/06/2008
AHCS	00183224	Warwickshire PCT	62,584	62,584	10/06/2008
CYPF	00184299	Hilltop Development (UK) LTD	38,468	38,468	01/07/2008
AHCS	00184812	Warwickshire PCT	63,247	63,247	04/07/2008
AHCS	00184818	Warwickshire PCT	74,470	74,470	04/07/2008
AHCS	00185055	Warwickshire PCT	35,448	35,448	10/07/2008
AHCS	00185821	Warwickshire PCT	63,575	63,575	30/07/2008
CYPF	00185918	Coventry and Warwick LSC	140,000	140,000	04/08/2008
AHCS	00186159	Warwickshire PCT	81,720	81,720	08/08/2008
AHCS	00186162	Warwickshire PCT	64,825	64,825	08/08/2008
AHCS	0186311	Warwickshire PCT	65,607	65,607	12/08/2008
Res	00186455	Warwickshire Community & Voluntary Action	36,618	36,618	13/08/2008
PD	00186545	J.J Gallagher LTD	246,618	246,618	07/08/2008
		Total		1,508,328	

- 3.3 The value of over-42 days, over-£30,000 debt has increased from the position shown in June 2008, when the total value outstanding on these types of debt was £1,038,069. However, of the 19 debts shown in the previous report, there are only 4 debts remaining and a further 16 new debts.
- 3.4 Warwickshire PCT has 10 invoices on the list, totalling £702,872. All bar one of these debts is new to the list. The PCT have confirmed that it takes some time to agree the clients that these invoices relate to. However, communication is continuing between the County Council and the PCT and payment of these invoices is expected imminently. Additionally we are working with the PCT to examine how invoicing processes can be simplified and clarified.
- 3.5 The two Warwick District Council debts are still outstanding and the prospect of mediation is currently being investigated in order to resolve this dispute. Members will recall that agreement had been reached with Color Estates to pay the debt in instalments although it is disappointing to learn these payments have since stopped. Legal Services are chasing this payment up.

- 3.6 There are a significant number of debts relating to Section 106 monies owed from developers. These debts are being chased although it is understood that some of this money is delayed due to falling property sales in the economic slowdown. The debt outstanding from J J Gallagher relates to Section 106 contributions for Rugby Western Relief Road. The debts for AGN Design and Build Ltd and George Wimpey (West Midlands) Ltd are also Section 106 payments. An arrangement has been made by Hilltop Developments (UK) Ltd to pay the debt (also Section 106) by instalments and the first payment is due imminently.
- 3.7 Coventry and Warwickshire LSC have passed the invoice to their payments division and payment is expected imminently. The debt for Care in the Millennium relates to a client in residential care. The company have queried the charges and these have been reduced (see table 1 above) and the company have agreed payment of the outstanding amount. The invoice outstanding for Warwickshire Community and Voluntary Action relates to the loss of contribution to the pension fund through an early retirement. Discussions are progressing concerning payment of this debt.

DAVID CLARKE,
Strategic Director, Resources

Shire Hall
Warwick

22nd October 2008