

OUTSTANDING DEBT OWED TO THE COUNTY COUNCIL - UPDATE

Report of the Chief Financial Officer

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1. Purpose of Report

To advise the Committee of the movement in overall debt levels since the introduction of a new monitoring system.

2. Background

On 1 November 1999 the County Council introduced an improved debt reporting and monitoring system, with the aim of reducing both the overall debt level and in particular the level of older debt (over nine months old).

The former Scrutiny and Audit Panel at its meetings in December 1999, February 2000 and June 2000 reviewed the level of County Council debt and, in particular, those debts in excess of £35,000 which were over nine months old.

At its meeting on 8 February 2000 the Panel requested a report in the Autumn on the overall movement of County Council debt since the 1 November 1999 and at their last meeting asked that a further update on significant older debtors be presented to the Committee at this meeting.

3. Overall Debt Levels

The comparison of outstanding invoiced debt since the introduction of the new monitoring system is shown in the following table.

Trading services, which primarily relates to County Supplies and Contract Services, are shown separately, as they have been required to manage their debt position and to provide where necessary, from revenue balances, sufficient provision to meet the cost of actual or potential bad debts.

	1 st November 1999	4 th August 2000	Increase / (Decrease)
	£m	£m	£m
Debt excluding trading services	16.4	12.8	(3.6)
Trading Services	5.0	5.5	0.5
Total outstanding invoiced debt	21.4	18.3	(3.1)

The net reduction of £3.1m in outstanding debt is analysed in the following table. The reduction in debt less than ten months old (current) of £2.2m is affected by the variations in the amount of debt raised on a monthly basis, whilst the fall in older debt of £0.9m reflects the priority given to resolving older, higher value debts.

Age of Debt	Other Debt £m	Trading Services £m	Total £m
Current	(2.8)	0.6	(2.2)
Older than 9 months	(0.8)	(0.1)	(0.9)
Total	(3.6)	0.5	(3.1)

4. Significant Outstanding Debts Older than 9 months

The table below updates the position, previously reported to the former Panel on the 13 June 2000, relating to customers whose outstanding debt over nine months old exceeds £35,000.

	outstanding at 28/4/2000 £000	Movement £000	outstanding at 4/8/2000 £000
West Herts College	217	(6)	211
West Herts Health Authority	68	(8)	60
Amey Property Services	39	20	59
Oaklands College	45	11	56
North Herts District Council	42	0	42
Hertford Regional College	104	(68)	36
Continuing Care Purchase Unit	0	35	35
SR	0	35	35
Leventhorpe School	38	(4)	34
Hertsmere Borough Council	33	(1)	32
Herts Police Authority	39	(12)	27
Public Trustee Office	57	(43)	14
Mouchel Tsc	66	(66)	0
Total	748	(107)	641

The net reduction in the amount outstanding of £0.107m is shown in the following table.

	£000
Previously current debt now over nine months old	103
Cash received	(141)
Written off	(69)
Net reduction	(107)

Comments on the nature and recoverability of the larger debts still outstanding are as follows:-

Debtor	Comments
West Herts College	Protracted negotiations with West Herts College, which also relate to sums the College is claiming from the County Council, continue. The College has now referred these debts of £210,000 to their Solicitors for advice.
West Herts Health Authority	The major item owing (£49,000) relates to an item raised in May 1993. This may now be statute barred and therefore irrecoverable. The balance of £11,000 (Education £7,000 and Social Services £4,000) is considered to be recoverable.
Amey Property Services	Most of this debt (£44,000) relates to the use of the County Council's facilities and services. There are contractual issues around this debt, which continue to be discussed with the contractor. The balance of £15,000 relates to County Supplies, £11,000 of which is in dispute with the balance of £4,000 being pursued.
Oaklands College	Part of the balance (£25,000) relates to invoices raised around the date that functions were transferred from the County Council to the college. Despite contact with the College from the Council's Corporate Finance Department these items remain outstanding. Corporate Finance will continue to follow up these items. Most of the balance (£29,000), relates to County Supplies invoices which are being reviewed and may result in being written off.
North Herts District Council	Majority of this amount (£38,000) relates to Social Services invoices for Dial a Ride services for 1996 to 1998.
Hertford Regional College	Invoices amounting to £25,000 relate to the period of transfer of functions from the county council to the colleges, and have been disputed by Hertford Regional College. Asset Management is waiting further advice from Amey Property Services concerning the future of these debts. The balance of £11,000 is spread over a number of services who are pursuing the debt.
Continuing Care Purchase Unit	Disputed accounts with West Herts Community Health NHS Trust. Relates to the joint funding arrangements for three clients with a mental health problem. The County Council is awaiting payment from the Trust for part of the debt.

SR	A Social Services home care client whose care is provided by both health and Social Services funding. The client is charged (means tested) the full cost of the service provided by Social Services. The client has made some payments and it is expected that the amount due will be recovered in full in the next few weeks.
Leventhorpe School	The main part of this debt (£30,000) is part of protracted negotiations between the County Council, the school and the County Council's insurers over a capital project. It is expected that this will be resolved in the current financial year. The balance of £4,000 relates to works undertaken by the Education Workshop division and is expected to be recovered in full.
Hertsmere Borough Council	Hertsmere claim that £16,000 of this amount relating to Social Services invoices have been paid. Social Services are currently investigating systems to determine where cash receipts have been allocated. Majority of the balance relates to Environment invoices (£14,000) of which £8,000 is considered unlikely to be recovered whilst £6,000 should be settled in full.
Herts Police Authority	The major items (£25,000) relate to property running costs raised by Itnet in 1996. Despite correspondence from Itnet these items have not been cleared. To date HPA have not been able to advise whether these items have been settled and, if paid, the date of payment. Corporate Accountancy will continue to chase HPA in order to resolve these items.
Public Trustee Office	This comprises client care costs incurred by the Social Services department. The amounts are recoverable from the Public Trustee Office who acts as estate administrator in these cases. Social Services are in confident that most of the outstanding amount will be recovered.

5 Conclusions

The level of overall debt has fallen by £3.1m in the period November 1999 to August 2000. Within this reduction, £2.2m relates to a fall in current debt (less than nine months old) though this is a volatile figure affected by the level of invoices issued in a particular month and the timing of receipts. There has also been a significant reduction in older debt (over nine months old) in this period, and, as indicated above, investigations continue into those larger older debts still outstanding.