

DEVON & SOMERSET FIRE & RESCUE AUTHORITY



REPORT REFERENCE NO.	RC/10/9
MEETING	RESOURCES COMMITTEE
DATE OF MEETING	29 APRIL 2010
SUBJECT OF REPORT	DEBT RECOVERY PROCEDURE
LEAD OFFICER	Treasurer
RECOMMENDATIONS	<i>That the current procedures in relation to the recovery of outstanding debt be noted.</i>
EXECUTIVE SUMMARY	Following consideration of the 2009/2010 Financial Performance Report at the previous meeting of the Resources Committee (Minute RC/19 refers), held on the 8 th February 2010, the Committee requested a report on the procedures adopted for the recovery of outstanding debts, to include information on those debts that may be subject to write-off.
RESOURCE IMPLICATIONS	None
EQUALITY IMPACT ASSESSMENT	An initial assessment has not identified any equality issues emanating from this report.
APPENDICES	None
LIST OF BACKGROUND PAPERS	None

1. INTRODUCTION

- 1.1 The 2009/2010 Financial Performance Report considered elsewhere on the agenda to this meeting includes the reporting of the Authority's performance against its agreed financial indicators. One of those indicators relates to the performance against the 'Aged Debt over 85 days'.
- 1.2 As at 31 March 2010 the ratio of debts over 85 days, as compared to the total levels of debt outstanding, was 23.98%, compared to the target set at the beginning of the year to be within 10%. The previous Financial Performance Report, considered at the meeting of Resources Committee held on the 8th February 2010, reported this ratio to be 18.91% as at 31 December 2009, representing deterioration from previous performance. In light of this information the Committee requested a report to the next meeting to outline the procedures used for debt recovery, to include further information about the levels of debt and the potential for any of those debts to be written-off.

2. DEBT RECOVERY PROCEDURE

- 2.1 The Service operates its own Finance System (INTEGRA), which was originally installed in 1998 into ex-Devon FRS as part of the move to a becoming a combined fire authority at that time. Prior to that Devon FRS had relied upon the financial systems of Devon County Council. As part of the merger with ex-Somerset FRS it was agreed early on that the new authority would benefit from continuing to utilise the existing Devon FRS finance system, with only Payroll (Somerset CC) and Pensions (Devon CC) being brought in from outside.
- 2.2 The INTEGRA system is a fully integrated commitment system, which means that all the main modules that you would expect with a mainstream finance system i.e. Purchase Ordering, Payments, Debtors and Cash Management, are directly integrated into the General Ledger so as data entry into any of these modules are immediately reported into the General Ledger file. This enables 'real time' reporting to be provided.
- 2.3 Debtor invoices raised for fees and charges provided by the Service, these are input directly into INTEGRA by our administrative offices, resulting in a paper invoice being sent to the Debtor, and the necessary invoice information and general ledger coding to be recorded immediately. There are 16 separate offices across the 2 counties raising debtor invoices on the system, including Service HQ and the 6 area admin offices.
- 2.4 Any staff engaged in raising invoices receives sufficient training from members of the Finance Team before using the system including the procedure to be adopted in terms of debts that are not paid within agreed terms. This includes documented user notes for reference. The procedure is effectively a 6 stage process, as outlined in Table 1 overleaf:-

TABLE 1 – DEBT RECOVERY PROCEDURE

	Period (days)	Action Required	Who is Responsible
Stage 1		Debtors invoice raised on INTEGRA	Department/Section
Stage 2	After 28 days	A reminder is generated from INTEGRA and submitted to the Debtor with a copy of the original invoice.	Department/Section
Stage 3	After a further 7 days	The debtor is to be contacted by telephone to ascertain that the invoice/reminder has been received, and if so to make enquiries as to why the invoice has not been paid, and request immediate payment.	Department/Section
Stage 4	After a further 7 days	If payment has still not been received then the matter is referred to the Finance Team who will record as an 'aged debtor' On receipt of an 'aged debt' the Finance Team will attempt to make telephone contact with the debtor to ascertain when payment can be expected, and to agree further time for payment if appropriate.	Department/Section Finance Team
Stage 5	After 7 days (or more if further time agreed)	All relevant information is passed to the Service Insurance/ Risk Manager for further action by the authority solicitor.	Finance Team
Stage 6		Service Insurance/Risk Manager to liaise with the solicitor to agree appropriate action depending on the size of the debt and likelihood of successful recovery of payment.	Service Insurance/Risk Manager

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This above procedure has proved to be effective in ensuring that the majority of debts are recovered in good time. The procedure is due for review and it is likely that the time period before which a debt is forwarded to the Service Insurance/Risk manager will be reduced. During 2009/2010 a total of 1,440 invoices, totalling £3,782,318.50, were raised on INTEGRA, of which only 130 (9.02%) were outstanding as at 31 March 2010.

3. ANALYSIS OF OUTSTANDING DEBT AS AT 31 MARCH 2010

- 3.1 The total debt outstanding as at 31 March 2010 amounts to £453,238.91. An analysis of the aged of this debt is provided in Table 2 below:

TABLE 2 – AGED DEBT ANALYSIS AS AT 31 MARCH 2010

	Total value	
Within 28 days	£324,372.31	71.57%
29 – 56 days	£18,632.88	4.11%
57 – 84 days	£1,561.25	0.34%
Over 85 days	£108,672.47	23.98%
	£453,238.91	100.00%

- 3.2 The area of concern highlighted from the Financial Performance Report, considered elsewhere on this agenda, relates to the ratio of debt over 85 days which is well in excess of the 10% target. It should be noted that of the total debt figure of £108,672.47 in excess of 85 days, an amount of £81,805 relates to 3 debtors who have been slow in making payment and who are continuing to be pursued for payment. If these 3 debtors were removed the ratio would reduce to 7.23%. A summary of the current position in relation to the pursuance of these debts is provided in Table 3 below, including commentary as to the risk for any potential write-off.

TABLE 3 – SUMMARY OF CURRENT POSITION WITH DEBTS OVER 85 DAYS

Debtor	£	Current Position	Potential for write-off
A	16,566	Recovery through court action commenced	Low
B	19,998	Recovery through court action commenced	Low
C	45,241	All debt repaid by 7 th April 2010	Low
Individual Debts below £5,000	26,867	Consists of 59 debts each of which is below £5,000, at an average of £455 per debtor.	Medium - High
	£108,672		

- 3.3 Based upon the above analysis a provision for potential debt write-off of £5000 will be made in closing the accounts for the financial year 2009/2010. This does not mean that those debts identified as at risk are to be written-off at this stage, only that a prudent financial provision is to be charged to the 2009/2010 accounts, in the event that they are eventually written-off.

KEVIN WOODWARD
Treasurer