

WYRE FOREST DISTRICT COUNCIL**CABINET MEETING**
25TH AUGUST 2009**Sundry/Property Debt Position as at 31st March 2009**

OPEN	
SUSTAINABLE COMMUNITY STRATEGY THEME:	Stronger communities
CORPORATE PLAN AIM:	A Well-Run and Responsive Council
CABINET MEMBER:	Councillor Nathan Desmond
DIRECTOR:	Director of Resources Ext. 2100 david.buckland@wyreforestdc.gov.uk
CONTACT OFFICER:	Director of Resources Ext. 2100
APPENDICES:	Appendix 1 : Sundry/Property Debt position as at 31 st March 2009 Appendix 2 : Payment Methods for Debtor Accounts

1. PURPOSE OF REPORT

- 1.1 To inform members of the Sundry/Property debt position as at 31st March 2009, together with details of performance against the targets.

2. RECOMMENDATION

The Cabinet is asked to DECIDE that:

- 2.1 **The Sundry/Property debt level, age of debt and performance against targets, as at 31st March 2009, be received and noted.**
- 2.2 **The payment methods for debtor accounts be received and noted.**

3. BACKGROUND

- 3.1 Monitoring of the Council's debts is an integral part of the Comprehensive Area Assessment (CAA). Its impact on the authority's Use of Resources assessment (Theme – Managing Finances, key line of enquiry 1.3 – Financial Reporting) and the External Auditors recommend that Cabinet receive reports on the collection of income and recovery of arrears.
- 3.2 This reports to Cabinet the Sundry/Property debt level, age of debt and performance against targets. The statistical and performance data will continue to be developed and refined to ensure that Cabinet receives the information necessary to monitor performance.
- 3.3 The Housing Benefits overpayment debt position as at 31st March 2009 was reported to the June 2009 Cabinet meeting. The Sundry/Property Debt Position as at 31st March 2009 is reported here. The Sundry/Property Debt position as at 30th September 2008 was reported to Cabinet on 18th December 2008.

- 3.4 Sundry Debts covers a wide range of services that the Council provides including trade waste contracts, pest control and sport pitches. Property Debts are in respect of rents, leases, licences and service charges of Council assets including industrial units and other commercial property; these are dealt with by Legal and Corporate Services
- 3.5 The Director of Resources is responsible for the overall supervision and control of all income, whilst individual Directorates are responsible for their own debts from inception to payment or eventual write-off. Sundry/ Property Debts are actively pursued with any request for write-off being prepared in accordance with Council procedures as a last resort.
- 3.6 To facilitate this process, the Council monitors all categories of income collection and recovery of arrears based on the Age profile of debt. This includes weekly and monthly reports on debts outstanding provided by the Resources Directorate to relevant Directorates, regular dialogue and debt monitoring meetings.
- 3.7 The level of long standing debt is generally confined to the following areas:
- Recovery of works in default. A charge is placed by Legal and Corporate Services on a property and will be recovered from its subsequent sale.
 - Repayment of several property debts by relatively small instalments.
- 3.8 The procedure for recovery of monies owed to the Authority is detailed in the “Sundry Debt procedure Document” listed under Legal and Corporate Services on the intranet. Each Directorate is supplied with a comprehensive list of all outstanding debts as soon as possible after month end, analysed by the usual time criteria:
- Debts less than 3 months old
 - Debts 3-6 months old
 - Debts 6-12 months old
 - Debts 12-24 months old
 - Debts more than 24 months old
- 3.9 The recovery action taken is determined in accordance with the circumstances of each case. The type of recovery action being taken on Sundry/Property debts includes:
- Agreements to pay by the debtor
 - Debts with the Council’s Legal and Corporate Services Directorate to action
- 3.10 The impact of the recession is making it harder to collect debts and other payments particularly in the case of property debtors. There is likely to be no significant change over the next 12 months and we will keep our bad debt provision under close review.

4. **PERFORMANCE**

4.1 The table below summarises the position in relation to the total performance for Debtors.

Summary of Debtors Performance	2007/08	2008/09	Increase/ (Decrease)	Percentage
Debts raised during year				
Value	£3,147,193	£3,106,010	(£41,183)	(1.31%)
Number	4,505	4,188	(317)	(7.60%)
Total debts outstanding at year end				
Value	£836,133	£969,958	£133,825	16.01%
Number	1567	1166	(401)	(34.39%)
of which more than 6 months old				
Value	£38,079	£65,549	£27,470	72.14%
Number	149	175	26	17.45%
Total Debts written off in year				
Value	£1,388	£3,383	£1,995	143.73%
Number	7	39	32	457.14%

Attached at Appendix 1 is a detailed breakdown and further explanation of the debt position as at 31st March 2009. The Appendix also splits Property debts from Sundry debts.

4.2 Attached at Appendix 2 is a detailed review of the payment methods available for debtor accounts.

5. **KEY ISSUES**

5.1 The key messages that can be established from the table above are as follows:

- The Council raised more than £3 million in debtor invoices during 2008/09 during the same period only £3,383 has been written off, this around 0.1% of the debt raised (2007/08 – 0.05%)
- As at 31st March 2009 there was a total of £65,549 of debts which are more than 6 months old. That means that the Council has collected 97.9% of debts raised within 6 months (2007/08 – 98.7%)

5.2 The Council has introduced two Local Performance Indicators for debtor management:

- Property Debtor Arrears as a percentage of Annual Rent Roll – 6.3 % in 2008/09 (2.9% in 2007/08)
- Non – Property Debts – debts outstanding over 24 months old as a percentage of total outstanding debt. – 4.35% in 2008-09 (4.85% in 2007/08).

5.3 It is recognised that the total debts outstanding at year end have increased. The main reason for this increase is the inclusion of debts raised in 2008/09 not due until 2009/10. It should also be noted that the debts referred for legal action total £11.660.

6. FINANCIAL IMPLICATIONS

6.1 There are no financial implications associated with this report.

7. LEGAL AND POLICY IMPLICATIONS

7.1 To ensure the Sundry/Property Debt position is reported to Cabinet in accordance with the Sundry/Property Debtors management Policy.

8. RISK MANAGEMENT

8.1 If action is not taken on a timely basis to manage Sundry/Property Debts, the likelihood of full recovery is reduced. Procedures and controls are in place to reduce the risk.

9. CONCLUSION

9.1 The Sundry/Property Debt position is subject to detail scrutiny and monitoring. Action is taken to recover monies as speedily and efficiently as possible.

10. CONSULTEES

10.1 Divisional Heads of Service

11. BACKGROUND PAPERS

11.1 Sundry/Property Debtors Management Policy – 26th June 2008
Sundry/Property Debt Position as at 31st March 2008
Sundry/Property Debt Position as at 30th September 2008

APPENDIX 1

Sundry and Property Debtor Performance as at 31st March 2009

Table 1			
Outstanding Debt at 31st March 2009 and 31st March 2008			
Description	Sundry Debtors £	Property Debtors £	Total £
Outstanding debt position as at 31 st March 2009	811,397	158,561	969,958
Outstanding debt position as at 31 st March 2008	732,884	103,249	836,133
Increase/(Decrease) on previous year	78,513	55,312	133,825
Percentage Increase/(Decrease)	10.71%	53.57%	16.01%

When compared to 2007/08, the outstanding Sundry/Property debt position as at 31st March 2009 has increased. Sundry Debts have increase by 10.71%; this is mainly due to an invoice raised for Worcestershire County Council's Quarter 4 contribution to the HUB (£74,325).

Property Debts have increase by 53.57%. These include a rise in outstanding debts for 0-3 months of £31,221 and also an increase of £24,091 for debts outstanding for over 3 months (see paragraph 5.3 of main report). All debts over 3 months old have agreements in place for payment by instalment, are under investigation by the originating Service Directorate or have been referred to Legal and Corporate Services. One Property Debt for £734.38 has been recommended for write off.

Table 2			
Total debts raised in 2008/ 2009 compared with total debts raised in 2007/08			
Description	Sundry Debtors £	Property Debtors £	Total £
Total debts raised in 2008/09	2,498,500	607,510	3,106,010
Total debts raised in 2007/08	2,501,649	645,544	3,147,193
Increase/(Decrease) on previous year	(3,149)	(38,034)	(41,183)
Percentage Increase/(Decrease)	(0.13%)	(5.89%)	(1.31%)
Number of debts raised in 2008/09	3,517	671	4,188
Number of debts raised in 2007/08	3,775	730	4,505
Average value of debtor account raised in 2008/09	£710	£905	£742
Average value of debtor account raised	£662	£884	£699

Table 2			
Total debts raised in 2008/ 2009 compared with total debts raised in 2007/08			
in 2007/08			

The increase in the outstanding Sundry/Property debts should be considered alongside the following:

- The total Sundry/Property debt raised in 2008/09 has decreased by (£41,183) a decrease of 1.31%
- The total Sundry debt raised in 2008/09 was £2.499 million, a decrease of 0.13% over 2007/08. (2007/08 £2.502 million).
- The total Property debt raised in 2008/09 was £0.608 million, a decrease of 5.89% over 2007/08. (2007/08 £0.646 million).
- The number of Sundry/Property debtor invoices raised in 2008/09 has decreased to 4,188. (2007/08 4,505).
- The number of Sundry debtor invoices raised in 2008/09 has decreased to 3,517. (2007/08 3,775).
- The number of Property debtor invoices raised in 2008/09 has decreased to 671. (730 2007/08).

Table 3			
Outstanding debt as a percentage of debt raised			
Description	Sundry Debtors	Property Debtors	Total
Outstanding debt as a percentage of debt raised as in 2008/09	32.48%	26.10%	31.23%
Outstanding debt as a percentage of debt raised in 2007/08	29.30%	15.99%	26.57%

The debts outstanding as at 31st March 2009 of £969,958 represents 32.48% of the total debts raised in 2008/09 of £3.106 million. The comparative figure as at 31st March 2008 of £836,134 represents 26.57% of the amount of total debt raised in 2007/08 2007 of £3.147 million.

Table 4						
Debts outstanding for less than 6 months and more than 6 months at 31st March 2009						
Description	Sundry Debtors £		Property Debtors £		Total £	
Debts outstanding for less than 6 months at 31 st March 2009	763,717	94.1%	140,692	88.7%	904,409	93.2%
Debts outstanding for	47,680	5.9%	17,869	11.3%	65,549	6.8%

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more than 6 months at 31 st March 2009						
Total debts outstanding at 31 st March 2009	811,397	100%	158,561	100%	969,958	100%

Table 5						
Debts outstanding for less than 6 months and more than 6 months at 31st March 2008						
Description	Sundry Debtors £		Property Debtors £		Total £	
Debts outstanding for less than 6 months at 31 st March 2008	707,173	96.5%	90,882	88.0%	798,055	95.5%
Debts outstanding for more than 6 months at 31 st March 2008	25,712	3.5%	12,367	12.0%	38,079	4.5%
Total debts outstanding at 31 st March 2008	732,885	100%	103,249	100%	836,134	100%

The total debt position at 31st March 2009 is analysed between debt which is less than six months old of £904,409 being 93.24% of the total debt (2007/08 £798,055 95.5%) and debt which is more than 6 months old of £65,549 being 6.76% of total debt (2007/08 £38,079 4.5%).

Table 6			
Number of invoices outstanding for more than 6 months as at 31st March 2009 compared with number of invoices outstanding for more than 6 months as at 31st March 2008			
Description	Sundry Debtors	Property Debtors	Total
Number of invoices outstanding for more than 6 months at 31 st March 2009	143	32	175
Number of invoices outstanding for more than 6 months at 31 st March 2008	127	22	149

There were 175 invoices greater than 6 months old at 31st March 2009, with a total debt of £65,549 (2007/08 149 invoices with a total debt of £38,079) This is a increase of £27,470, 72.14% (Sundry debts have increased by £21,969, 85.44% and Property debts have increased by £5,502, 44.49%).

Table 7			
Average level of debts greater than 6 months old			
Description	Sundry Debtors	Property Debtors	Total
Average level of debts greater than 6 months old as at 31 st March 2009	£333.43	£558.39	£374.57
Average level of debts greater than 6 months old as at 31 st March 2008	£202.45	£562.13	£255.56
Percentage increase/(decrease) in the average value of debt over 6 months old	64.70%	(0.67%)	46.57%

Table 8			
Total value of debts written off as at 31st March 2009			
Description	Sundry Debtors	Property Debtors	Total
Total value of debts written off as at 31 March 2009	£3,383	£0	£3,383
Total value of debts written off as at 31 st March 2008	£994	£394	£1,388
No debts were written of in the period 01/04/2007 to 30/09/2007			

In 2008/09 the total of write-offs was £3,383 (2007/08 £1,388, 7 debts). Of these £2,520 (13 debts) were within Planning, Health and Environment (mainly building control and licensing), £838 (23 debts) were within the Property and Operational Division (mainly Sport Pitches and Pest Control), £25 (3 debts) were within Community and Partnership Division. These debts were written off under delegated powers by the Head of Financial Services in accordance with Financial Regulation 9.7. Write offs are only prepared as a last resort.

Payment Methods for Debtor Amounts

Transaction method	As at 31 st March 2008				As at 31 st March 2009			
	Transaction Number	Percentage	Transaction Amount	Percentage	Transaction Number	Percentage	Transaction Amount	Percentage
Cash	203	4.79%	32,875	1.10%	308	7.11%	35,019	1.16%
Cheque	2,717	64.13%	1,547,290	51.56%	2,803	64.68%	1,401,142	46.31%
Debit Card	70	1.65%	15,340	0.51%	116	2.68%	24,690	0.82%
Credit Card	16	0.38%	5,797	0.19%	35	0.81%	6,287	0.21%
ATP Debit Card	18	0.42%	3,795	0.13%	45	1.04%	12,512	0.41%
ATP Credit Card	2	0.05%	314	0.01%	10	0.23%	3,196	0.11%
Multi	11	0.26%	11,430	0.38%	35	0.81%	13,746	0.45%
Direct Debit	228	5.38%	130,457	4.35%	215	4.96%	126,549	4.18%
Direct to Bank	972	22.94%	1,253,544	41.77%	766	17.68%	1,402,726	46.35%
TOTAL	4,237	100.00%	3,000,842	100.00%	4,333	100.00%	3,025,867	100.00%

Cash and Cheque – payments made through the HUB

Debit/Credit Cards – payments made through the HUB

ATP Debit/Credit Cards – payments made via Telephone calls to HUB (ATP Credit Card facilities introduced as at 1st April 2008)

Multi Transaction methods are those payments that include two methods – cash/cheque or card/cash etc

Direct to Bank – payments made direct to the bank