

**WYRE FOREST DISTRICT COUNCIL**

**CABINET**  
**19<sup>TH</sup> JANUARY 2010**

**Sundry/Property Debt Position as at 30<sup>th</sup> September**

<b>OPEN</b>	
<b>SUSTAINABLE COMMUNITY STRATEGY THEME:</b>	Economic Success Shared by All
<b>CORPORATE PLAN AIM:</b>	A Well-Run and Responsive Council
<b>CABINET MEMBER:</b>	Councillor Nathan Desmond
<b>DIRECTOR:</b>	Director of Resources
<b>CONTACT OFFICER:</b>	David Buckland, Ext. 2100 <a href="mailto:david.buckland@wyreforestdc.gov.uk">david.buckland@wyreforestdc.gov.uk</a>
<b>APPENDICES:</b>	Appendix 1 - Sundry/Property debt position as at 30 <sup>th</sup> September 2009  Appendix 2 - Payment methods for debtor accounts as at 30 <sup>th</sup> September 2009

**1. PURPOSE OF REPORT**

- 1.1 To inform members of the Sundry/Property debt position as at 30<sup>th</sup> September 2009, summary attached as an Appendix, 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 30<sup>th</sup> September 2009, be noted.**
- 2.2 **Review of payment methods for debtor accounts be 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 (key line of enquiry 3 – Financial Standing) and the External Auditors recommend that Cabinet receive reports on the collection of income and recovery of arrears.
- 3.2 A summary of the Sundry/Property debt position as at 30<sup>th</sup> September 2009 is shown in Appendix 1.
- 3.3 Sundry debts cover a wide range of services that the Council provides including trade waste contracts, pest control and sport pitch bookings. 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.

- 3.4 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.
- 3.5 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 Resources to relevant Directorates, regular dialogue and debt monitoring meetings.
- 3.6 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 to be recovered from its subsequent sale, along with the associated interest.
  - Repayment of several property debts by relatively small instalments.
  - Debts subject to legal action or write-off approval.
  - An increase in the payment of trade waste debts by instalment rather than annually.
- 3.7 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
- 3.8 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 services to action
- 3.9 The impact of the recession continues to make it harder to collect debts and other payments. There is likely to be no significant change over the next 12 months and necessary action will be taken where appropriate. We will continue to keep our bad debt provision under close review.
- 3.10 The Council ensures that a wide variety of payment methods are available. In April 2008 ATP (Automated Telephone Payment) credit card payments via the HUB were introduced. The debtor amounts and number of transactions has been reviewed and the results as at 30<sup>th</sup> September 2009 are shown in Appendix 2.

#### 4. **PERFORMANCE**

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

Summary of Debtors Performance	As at 30 <sup>th</sup> September 2008	As at 30 <sup>th</sup> September 2009	Increase/ (Decrease)	Percentage
<b>Debts raised as at 30<sup>th</sup> September</b>				
Value	£1,084,083	£920,165	(£163,918)	(15.1%)
Number	1,408	1,086	(322)	(22.9%)
<b>Total debts outstanding as at 30<sup>th</sup> September</b>				
Value	£321,226	£445,845	124,619	38.8%
Number	668	683	15	0.75%
of which more than 6 months old				
Value	£45,977	£68,527	£22,550	32.9%
Number	205	209	4	2.0%
<b>Total Debts written off in year</b>				
Value	£2,926	£914	(£2,012)	(68.8%)
Number	32	2	(30)	(93.8%)

Attached at Appendix 1 is a breakdown and further explanation of the debt position as at 30<sup>th</sup> September 2009. The Appendix also splits Property debts from the Sundry debts.

#### 5. **KEY ISSUES**

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

- The Council raised almost £1 million in debtor invoices during the period to 30<sup>th</sup> September 2009 during the same period only £914 has been written off, this is less than 0.1% of the debt raised.
- As at 30<sup>th</sup> September 2009 there were a total of £68,527 of debts which are more than 6 months old. That means that the Council has collected 84.6% of debts raised within 6 months.

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

- Property Debtor Arrears as a percentage of Annual Rent Roll – 7.7% as at 30<sup>th</sup> September 2009 compared with 3.9% as at 30<sup>th</sup> September 2008.
- Non – Property Debts – debts outstanding over 24 months old as a percentage of total outstanding debt. – 3.6% as at 30<sup>th</sup> September 2009 compared with 6.1% as at 30<sup>th</sup> September 2008.

#### 6. **FINANCIAL IMPLICATIONS**

6.1 There are no direct 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. EQUALITY IMPACT ASSESSMENT**

- 9.1 An Equality Impact Assessment screening has been undertaken and it is considered that there are no discernable impacts on the six equality strands.

**10. CONCLUSION**

- 10.1 The Sundry/Property debt position is subject to detailed scrutiny and monitoring. Action is taken to recover monies as speedily and efficiently as possible.

**11. CONSULTEES**

- 11.1 Service Directorates/Corporate Management Team.  
Cllr Nathan Desmond – Cabinet member for Resources.

**12. BACKGROUND PAPERS**

- 12.1 Sundry/Property Debtors Management Policy – 26<sup>th</sup> June 2008.

**Appendix 1**

**Sundry and Property Debtor Performance as at 30<sup>th</sup> September 2009**

<p><b>Table 1</b> <b>Outstanding Debt at 30<sup>th</sup> September 2009 and 30<sup>th</sup> September 2008</b></p>
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Description	Sundry Debtors £	Property Debtors £	Total £
Outstanding debt position as at 30 <sup>th</sup> September 2009	308,681	137,164	445,845
Outstanding debt position as at 30 <sup>th</sup> September 2008	170,507	150,719	321,226
Increase/(Decrease) on previous year	138,174	(13,555)	124,619
Percentage Increase/(Decrease)	81.04%	(8.99%)	38.79%

When compared to 2008/09, the total Sundry/Property debt position as at 30<sup>th</sup> September 2009 has increased. Sundry Debts have increased by 81.04%; this is mainly due to one-off invoices outstanding for less than 6 months and paid by November 2009 including Area Based Grant £24,206, Government Agency £15,000, Business Start-up Contribution £10,000, Stourport Sports Centre £14,184, Weaver's Wharf Cleansing Contract £16,710, Community Engagement £8,000.

<b>Table 2</b>			
<b>Total debts raised at 30<sup>th</sup> September 2009 compared with total debts raised at 30<sup>th</sup> September 2008</b>			
Description	Sundry Debtors £	Property Debtors £	Total £
Total value of debts raised between 01/04/2009 and 30/09/2009	606,661	313,504	920,165
Total value of debts raised between 01/04/2008 and 30/09/2008	758,504	325,579	1,084,083
Increase/(Decrease) on previous year	(151,843)	(12,075)	(163,918)
Percentage Increase/(Decrease)	(20.02%)	(3.71%)	(15.12%)
Number of debts raised between 01/04/2009 and 30/09/2009	773	313	1,086
Number of debts raised between 01/04/2008 and 30/09/2008	1,064	344	1,408
Average value of debtor account raised between 01/04/2009 and 30/09/2009	£976	£1005	£985
Average value of debtor account raised between 01/04/2008 and 30/09/2008	£815	£976	£854

When compared to 2008/09, the total Sundry/Property debt raised as at 30<sup>th</sup> September 2009 has decreased. Sundry Debts have decreased by 20.02%; this is mainly due to:

- Worcestershire HUB debtor account raised in 2008/09 for last quarter of 2007/08 (£71,835).

## Agenda Item No. 8.1

- Waste debtor accounts have decreased in first half of financial year (£51,000).
- Reduction in debtor accounts raised for Land Charges due to external competition (£23,252).
- Reduction in Planning applications and Building Regulation charge income (£14,623).
- Additional one-off income for Business Start-up Grant £10,000.

<b>Table 3</b>			
<b>Outstanding debt as a percentage of debt raised</b>			
Description	Sundry Debtors	Property Debtors	Total
Outstanding debt as a percentage of debt raised as at 30 <sup>th</sup> September 2009	50.88%	43.75%	48.45%
Outstanding debt as a percentage of debt raised as at 30 <sup>th</sup> September 2008	22.48%	46.29%	29.63%

The Outstanding Sundry debts (£308,681) as a percentage of debts raised as at 30<sup>th</sup> September 2009 (£606,661) compared to outstanding debts (£170,507) as a percentage of debts raised as at 30<sup>th</sup> September 2008 (£758,504) must be considered along side the one-off invoices raised as explained in Table 1.

<b>Table 4</b>						
<b>Debts outstanding for less than 6 months and more than 6 months at 30<sup>th</sup> September 2009</b>						
Description	Sundry Debtors £		Property Debtors £		Total £	
Debts outstanding for less than 6 months at 30 <sup>th</sup> September 2009	258,322	83.7 %	118,995	86.8 %	377,317	84.6 %
Debts outstanding for more than 6 months at 30 <sup>th</sup> September 2009	50,359	16.3 %	18,169	13.2 %	68,528	15.4 %
Total debts outstanding at 30 <sup>th</sup> September 2009	308,681	100%	137,164	100%	445,845	100%

<b>Table 5</b>			
<b>Debts outstanding for less than 6 months and more than 6 months at 30<sup>th</sup> September 2008</b>			
Description	Sundry Debtors £	Property Debtors £	Total £

## Agenda Item No. 8.1

Debts outstanding for less than 6 months at 30 September 2008	136,216	79.9 %	139,033	92.3 %	275,249	85.7 %
Debts outstanding for more than 6 months at 30 <sup>th</sup> September 2008	34,291	20.1 %	11,686	7.7%	45,977	14.3 %
Total debts outstanding at 30 <sup>th</sup> September 2008	170,507	100%	150,719	100%	321,226	100%

The total debts outstanding for less than six months as at 30<sup>th</sup> September 2009 has increased by £102,068, many of which are one-off invoices as explained in Table 1. The total debts which are more than 6 months old have increased by £22,551. The increase in Property debts (£6,483) have been referred to Legal and Corporate Services or agreements have been put in place to pay by instalments. The increase in Sundry debts (£16,068) is due to an outstanding debt for commercial waste and refund of an overpayment by another local authority.

<b>Table 6 Number of invoices outstanding for more than 6 months as at 30<sup>th</sup> September 2009 compared with number of invoices outstanding for more than 6 months as at 30<sup>th</sup> September 2008</b>			
Description	Sundry Debtors	Property Debtors	Total
Number of invoices outstanding for more than 6 months at 30 <sup>th</sup> September 2009	175	34	209
Number of invoices outstanding for more than 6 months at 30 <sup>th</sup> September 2008	168	37	205

There were 175 invoices greater than 6 months old at 30<sup>th</sup> September 2009, with a total debt of £68,528 (at 30<sup>th</sup> September 2008 there were 168 invoices with a total debt of £45,977).

<b>Table 7</b>			
<b>Average level of debts greater than 6 months old</b>			
Description	Sundry Debtors	Property Debtors	Total
Average level of debts greater than 6 months old as at 30 <sup>th</sup> September 2009	£287.76	£534.37	£327.88
Average level of debts greater than 6 months old as at 30 <sup>th</sup> September 2008	£204.11	£315.84	£224.28
Percentage increase/ (decrease) in the average value of debt over 6 months old	40.98%	69.19%	46.19%

<b>Table 8</b>			
<b>Total value of debts written off as at 30<sup>th</sup> September 2009</b>			
Description	Sundry Debtors	Property Debtors	Total
Total value of debts written off as at 30 <sup>th</sup> September 2009	£180	£734	£914
Total number of debts written off as at 30 <sup>th</sup> September 2009	1	1	2

In the period to 30<sup>th</sup> September 2009 the total of write-offs was £914.38. Of these £180.00 (1 debt) was for Planning and Regulatory Services. £734.38 (1 debt) was written off for Property Debtors. These debts were written off under delegated powers by the Director of Resources in accordance with Financial Regulation 9.7. Write offs are only prepared as a last resort. In the period to 30<sup>th</sup> September 2008 there were 32 write offs approved totalling £2,926.37.



**Payment methods for Debtor Amounts**

Transaction method	As at 30 <sup>th</sup> September 2008				As at 30 <sup>th</sup> September 2009			
	Transaction Number	Percentage	Transaction Amount	Percentage	Transaction Number	Percentage	Transaction Amount	Percentage
Cash	192	7.99%	20,002	1.21%	184	9.26%	23,632	1.63%
Cheque	1,509	62.77%	874,730	52.75%	1,251	62.96%	732,111	50.48%
Debit Card	71	2.95%	15,034	0.91%	67	3.37%	13,607	0.94%
Credit Card	12	0.50%	2,074	0.13%	4	0.20%	1,464	0.10%
ATP Debit Card	25	1.04%	7,513	0.45%	25	1.26%	3,962	0.27%
ATP Credit Card	6	0.25%	1,906	0.11%	4	0.20%	1,387	0.10%
Multi Transaction	21	0.87%	9,523	0.57%	6	0.30%	2,369	0.16%
Direct Debit	114	4.74%	66,246	4.00%	93	4.68%	51,976	3.58%
Direct to Bank	454	18.89%	661,075	39.87%	353	17.77%	619,833	42.74%
<b>TOTAL</b>	<b>2,404</b>	<b>100.00%</b>	<b>1,658,103</b>	<b>100.00%</b>	<b>1,987</b>	<b>100.00%</b>	<b>1,450,341</b>	<b>100.00%</b>

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 1<sup>st</sup> 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