

MIDDLESBROUGH COUNCIL

AGENDA ITEM 6

COMMITTEE REPORT

CORPORATE AFFAIRS AND AUDIT COMMITTEE

28 JULY 2016

COUNCIL DEBTORS UPDATE

JOHN SHIEL – DEPUTY CHIEF FINANCE OFFICER

PURPOSE OF THE REPORT

1. The purpose of this report is to provide an update to the committee on the value and composition of the debts owed to the Council.

BACKGROUND

2. At the meeting on the 24th March the committee asked for more detailed information as to the amount of debtors which had been reported in the balance sheet of the statement of accounts for 2014/2015.
3. All organisations public and private will have monies owed to them for services which they have provided and for which they are yet to be paid. This constitutes normal business activity. The table below shows that our neighbouring Tees Valley Council's all have comparable amounts of short term debtors as at the 31 March 2016 with two having more and two having less than Middlesbrough.

	Short Term Debtors 31 March 2016 £000's
Middlesbrough	28,351
Stockton-on-Tees	31,660
Redcar and Cleveland	22,151
Hartlepool	58,381
Darlington	18,752

4. This report will provide a detailed analysis and comparison of the debtors figures provided in the 2014/2015 audited accounts and the draft accounts for 2015/2016.

5. There are two figures for debtors included in balance sheet. Long term and short term debtors. Long term relate to monies owed to the Council which are not due to be paid within less than one year. Short term debtors relate to monies which are due to the Council within one year.

Long Term Debtors

6. The amounts owed to the Council for long term debtors at the dates of the balance sheet for 2014/2015 and 2015/2016 are:

	2014/2015 (31 March 2015) £000's	2015/2016 (31 March 2016) £000's	Change Between Years £000's
Long Term Debtors	6,652	6,291	(361)

7. The majority of the long term debtors relate to the hotel loan which was £5.8 million. This loan will be repaid to the Council over a period of 9 years with interest payable, at a commercial rate, as well as repayment of the initial advance of £5.8 million.

Short Term Debtors

8. The amounts owed to the Council for short term debtors at the dates of the balance sheet for 2014/2015 and 2015/2016 are:

Short Term Debtors	2014/2015 (31 March 2015) £000's	2015/2016 (31 March 2016) £000's	Change Between Years £000's
Central Government Departments	4,898	3,207	(1,691)
Other Local Authorities	6,107	5,034	(1,073)
NHS Bodies	6,774	5,743	(1,031)
Council Tax	3,053	3,578	525
Business Rates	1,873	1,575	(298)
Housing Benefits	569	838	269
Other *	12,859	8,376	(4,483)
Total	36,133	28,351	7,782

9. Within the other section above the four largest areas of service included within that is shown below.

Other *	2015/2016 (31 March 2016) £000's
Social Care service user charges	1,489
Commercial property charges	664
Council Tax Court Cost recoveries	478
Bereavement Services charges	324
Total	2,955

Council Approach to Debt Collection

10. The Council takes the processes for collecting its debts seriously. It aims to minimise debt owed by;
- Collecting cash up-front where possible.
 - Offering alternative ways to pay, including the use of debit and credit cards.
 - Publicising the use of the Council's website to pay for services on-line
 - Encouraging direct debits for charging made on a regular basis.
 - Collecting payment in advance where possible.
 - Consider removing and not providing services to customers who still owe money (subject to statutory responsibilities)
 - Making it clear to customers on the reverse of an invoice how they can pay.
 - Enforcing a debt recovery process within service areas and within a central team to chase up debt, and issue reminder notices.
 - Taking legal action against those who refuse or fail to pay.

Age of Debt

11. The amount of debt raised and paid changes on a daily basis as new invoices are raised and as invoices are paid. The debts shown in the statement of accounts are a snapshot of the debt outstanding as at the 31 March each year.
12. The age analysis of the debt as at the 20 June 2016 shows how old the debt is in the following bands.

Year	Age of Short Term Debtors at 20 June 2016 £000's	Value of Invoices Raised £000's	Percentage Unpaid %
2004/2005	66	69,372	0.10
2005/2006	3	68,206	0.00
2006/2007	7	67,053	0.01
2007/2008	8	57,644	0.01
2008/2009	6	66,965	0.01
2009/2010	8	71,352	0.01
2010/2011	15	74,117	0.02
2011/2012	164	71,596	0.23
2012/2013	209	80,557	0.26
2013/2014	451	80,712	0.56
2014/2015	1,000	70,896	1.41
2015/2016	2,197	69,791	3.15
2016/2017	7,591	13,302	57.07
Total	11,725 *	861,563	1.36

*Note the above does not include Council Tax or Business Rates arrears.

13. The table above shows the debt outstanding on the debtors system at the 30 June 2016 of £11.7 million represents 1.36% of the total debt raised over the period from 2004/2005 of £862 million.
14. If you exclude the most recent debt for 2015/2016 and 2016/2017, the amount of outstanding to total debt raised, reduces to 0.25%.

Bad Debt Provision

15. The Council's policy for bad debt provision is to provide a 50% provision for any debt aged between one and two years old and 100% for debts over 2 years old. This provision is reviewed annually at the end of each financial year.
16. Although an accounting provision is made in relation to the debt raised, the Council still continues to chase payment to recover the amounts owed. Only when a debt is deemed to be un-recoverable is it written-off.

FINANCIAL CONSIDERATIONS

17. Through its normal business operations the Council is owed significant amounts of money from Government Departments, The NHS, other Local Authorities and members of the public who use the services of the Council. It is a key Council role to collect that debt as quickly and as efficiently as possible. The amount owed to the Council for short term debtors has improved from £36.1 million to £28.4 million.

RECOMMENDATIONS

18. It is recommended that Corporate Affairs and Audit Committee note the report and the improvement in the short term debtor's position between the 31 March 2015 and 31 March 2016.

BACKGROUND PAPERS

- None

AUTHOR

John Shiel, Deputy Chief Finance Officer (729548)