

BROMSGROVE DISTRICT COUNCIL
PERFORMANCE MANAGEMENT BOARD

20 JANUARY 2008

SUNDRY DEBTORS

Responsible Member	Councillor - Geoff Denaro – Portfolio Holder for Finance
Responsible Head of Service	Jayne Pickering – Head of Financial Services

1. SUMMARY

- 1.1 The report sets out the sundry debtor activity and processes for recovery at the Council.

2. RECOMMENDATIONS

- 2.1 It is recommended that:
- i. The Board considers the report and makes any comments as appropriate.

3 BACKGROUND

- 3.1 The integrated finance and performance report that is presented to this Board on a quarterly basis presents general information on the sundry debt that is outstanding and the nature of the aged debt.
- 3.2 A request was made for a more detailed report to be presented to inform members of the arrangements made for the invoicing, processing and recovery of the debt to ensure the Council has a robust system in place.
- 3.3 Sundry Debtors are raised for a number of income streams within the Council. These include :
- Excess Car Parking Charges
 - Cesspool Emptying
 - Trade Waste
 - Use of Sports facilities
 - Licenses
 - Rental charges (eg Spadesbourne Suite, industrial units)
 - Lifeline
 - Building inspections
 - Allotments

- 3.4 Sundry Debt processing and initial recovery is the responsibility of the Accountancy team within Financial Services. The provision of this service is undertaken as part of roles within the team. The Council does not have a designated officer due to efficiencies that have been realised through the use of the automated financial system.
- 3.5 Invoices are raised via departmental officers to ensure the accuracy and ownership of the debt. The invoices are then generated and sent to customers from the accountancy section who process the debt onto the customer accounts.
- 3.6 Customers are required to pay debt within 28 days of the date of the invoice. There are a number of payment methods including, direct payment at the Customer Service Centre, cheque by post, internet or automated phone payment.
- 3.7 Once payment is overdue a reminder is automatically generated from the system. These are run on a daily basis and details the debt outstanding. If the debtor fails to make payment within 7 days a final reminder is generated which gives the debtor a further 7 days to make full payment. If this remains unpaid the debt is passed over to the legal department for recovery.
- 3.8 The finance team have been trained in providing debt management advice and support to our customers to minimise the number of cases proceeding to court.
- 3.9 There are a number of procedures that are followed by the legal department in the recovery of sundry debtor. The steps are as follows:
- Initial pre-action letter requesting payment or payment arrangement within 14 days. Explanation of proceeding to Court if letter ignored.
 - Final action letter giving 7 days to pay or Court proceedings to be commenced. Details are given as to the impact on financial rating of receiving County Court judgement
 - Claim form sent to Court to detail all information relating to debtors to include Court Fee, interest amount and solicitors costs. Documents served by Court onto debtor.
 - Once judgement is received the Council requests the payment arrangement from the debtor that may be recovered through an attachment of earnings or direct payments from the debtor. These payments are monitored by finance via the customer accounts.
 - If payment is not made following the issue of a judgement the Council will make a determination as to the use of a bailiff to recover the debt.
 - If no payment is recovered and the legal section determines that the recovery of debt is no longer achievable by the Council the debt will be requested to be written off in line with the financial regulations policy as detailed below. The current provision for bad debts is £46k.

3.10 Write off Policy (extract from Financial Regulations)

3.10.1 It will be the responsibility of Service Managers to promptly notify the Head of Financial Services of the need to write off any debt, giving details of the steps taken to recover the debt and valid reasons for the write off. A "debt" may be classified as:

- (i) an individual amount for an individual debtor; or
- (ii) the cumulative amount of several related debts for an individual debtor, (for example all business rates arrears or all outstanding trade refuse payments).
- (iii) an amount "due to the Council arising through the provision of a service by the Council or by way of a sanction, Council tax or NNDR debts" or an amount held on the Agresso sundry debtors module or the Academy system

3.9.2 The write off of an individual debt greater than £2,500 will require the authorisation of the Executive Cabinet.

3.9.3 In all cases, due consideration will be given during the write off process to the ongoing provision of the service and any other Council services being provided to the debtor

3.11 The Sundry Debtor processes have recently been audited by the Councils Internal Audit Service and has been assessed as operating effectively.

3.11 Debt Analysis

3.11.1 The outstanding sundry debt to the end December 2008 was £506k. The debt at 1st April 2008 was £401k. The following table details the debt raised and recovered on a quarterly basis over the last 9 months;

Table 1

Arrears Performance Sundry Debts			
Quarter	Debt Raised £'000	Amount collected £'000	Arrears end Period £'000
1.4.08			401
30.6.08	674	-728	347
30.9.08	431	-471	306
31.12.08	634	-434	505

3.11.2 The debt over 30 days is £177k of which £100k is with the legal department for recovery. Over 50% of the debt that is being recovered through the Legal section represents only 4 debtors. The remainder of the debts are being managed within the finance team.

4. FINANCIAL IMPLICATIONS

4.1 The debt recovery procedure aims to maximise income received by the Council and the costs associated with the debt management is included in the Councils approved budget.

5. LEGAL IMPLICATIONS

5.1 The legal team follow legislative guidelines in the recovery of debt outstanding.

6. CORPORATE OBJECTIVES

6.1 The recovery of debt applies to all the Council's objectives.

7. RISK MANAGEMENT

7.1 The risk associated with the non collection of debt is addressed within the financial services risk register and is mitigated by the procedures followed and the regular discussions between departments and customers to support them in making payments.

8. CUSTOMER IMPLICATIONS

8.1 The debt recovery process ensures that all our customers have an opportunity to use the Councils services with a robust framework in place to protect the Councils funds whilst supporting the customer when payments are required.

9. OTHER IMPLICATIONS

Procurement Issues N/A
Personnel Implications N/A
Governance/Performance Management N/A
Community Safety including Section 17 of Crime and Disorder Act 1998 N/A
Policy N/A
Environmental N/A
Equalities and Diversity N/A

10. OTHERS CONSULTED ON THE REPORT

Portfolio Holders	Via E-Mail
Chief Executive	Via e-mail.
Corporate Director (Services)	Via e-mail.
Assistant Chief Executive	Yes
Head of Service	Via e-mail.

Head of Financial Services	Via e-mail.
Head of Legal & Democratic Services	Via e-mail.
Head of Organisational Development & HR	No
Corporate Procurement Team	No

11. APPENDICES

None

12. BACKGROUND PAPERS

Detailed sundry debt analysis

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